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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**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(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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## **CHINA METAL RESOURCES UTILIZATION LIMITED**

**中國金屬資源利用有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1636)**

**(1) PROPOSED ISSUE OF CONVERTIBLE NOTES  
UNDER SPECIFIC MANDATE;  
(2) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;  
(3) PROPOSED SHARE CONSOLIDATION, CAPITAL REDUCTION OF  
ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES  
AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Capitalised terms used on this cover page shall have the same meanings as defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 6 to 34 of this circular. A notice convening an extraordinary general meeting (the “EGM”) to be held at Unit 809–810, 8th Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong at 2:00 p.m. on Monday, 7 April 2025 or any adjournment thereof 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. Whether or not you are able to attend the EGM, you are advised to read the notice and complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the share registrar, 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 (i.e. at 2:00 p.m. on Saturday, 5 April 2025) before the time appointed for holding the EGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

21 March 2025

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## DEFINITIONS

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

“Announcements”	the announcements of the Company dated 28 January 2025 and 18 March 2025 in relation to, among others, (i) the proposed issue of Convertible Notes under specific mandate, (ii) the proposed issue of new shares under specific mandate, and (iii) the proposed Share Consolidation, Capital Reduction of issued Shares and Share Sub-division of unissued Shares
“Articles”	the articles of association of the Company, as amended from time to time
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby the nominal value of each of the issued Consolidated Shares will be reduced from HK\$1.00 each to HK\$0.01 each by cancelling the paid up capital to the extent of HK\$0.99 on each issued Consolidated Share
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“Circular”	this circular containing, among other things, details of the Convertible Note, the Share Consolidation, the Capital Reduction, the Share Sub-division and the notice of the EGM
“Closing Price”	the closing price for the Shares published in the daily quotation sheet published by the Hong Kong Stock Exchange for such day
“Companies Act”	the Companies Act (Revised), of the Cayman Islands as consolidated and revised
“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 Hong Kong Stock Exchange (Stock Code: 1636)
“Consolidated Share(s)”	the ordinary share(s) of par value HK\$1.00 each in the share capital of the Company upon the Share Consolidation becoming effective
“Conversion”	the conversion of Convertible Notes into Shares

## DEFINITIONS

“Conversion Price”	the price at which the Shares will be issued upon conversion of the Convertible Notes which will be HK\$0.0113 per Share, to be adjusted to HK\$0.113 as a result of the completion of the proposed Share Consolidation, the Share Reduction and Share Sub-division
“Convertible Note Subscription”	the subscription of the Convertible Notes by the Investor pursuant to the Convertible Note Subscription Agreement
“Convertible Note Subscription Agreement”	the subscription agreement entered into between the Company and the Investor on 28 January 2025, as amended by the Convertible Note Subscription Supplemental Agreement, in relation to the proposed issue of the Convertible Note, as amended, supplemented or otherwise modified from time to time
“Convertible Note Subscription Supplemental Agreement”	the supplemental agreement to the Convertible Note Subscription Agreement dated 18 March 2025 entered into between the Company and the Investor
“Convertible Notes”	the convertible notes in the aggregate principal amount of HK\$10,000,000 proposed to be issued by the Company to the Investor under the Convertible Note Subscription Agreement
“Court”	the Grand Court of the Cayman Islands
“Directors”	the directors 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 Mandate; (ii) the Subscription Agreements and the transaction contemplated thereunder; and (iii) the Share Consolidation, the Capital Reduction and the Share Sub-division
“General Rules of HKSCC”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

## DEFINITIONS

“HKSCC Operational Procedures”	the Operational Procedures of HKSCC in relation to HKSCC, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party”	person(s) or companies who is/are not connected persons or associates of connected persons of the Company as defined in the Listing Rules
“Investor”	Top Legend SPC on behalf of Queens SP, a limited liability company incorporated under the laws of the PRC
“Issue Date”	the date of issue of the Convertible Notes
“Kaiyue Convertible Note”	the convertible note in the principal amount of RMB400 million to be subscribed by Sichuan Kaiyue, as disclosed in the Company’s announcement dated 3 October 2024, which has not completed as at the date of this Circular
“Last Trading Day”	27 January 2025, being the last full Trading Day immediately prior to the date of the Subscription Agreements
“Latest Practicable Date”	17 March 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Loan Agreement”	the loan agreement dated 18 March 2025, between the Company as the borrower and the Investor as the lender, in respect of a loan in the principal amount of HK\$10,000,000, the details of which is disclosed in the Company’s announcement dated 18 March 2025
“Maturity Date”	the date on which the Convertible Notes mature, namely the date which is the second anniversary of the Issue Date
“Memorandum”	the memorandum of association of the Company, as amended from time to time

## DEFINITIONS

“New Conversion Shares”	Shares to be allotted and issued by the Company upon the conversion of the Convertible Notes
“New Shares”	Shares to be allotted and issued by the Company upon the Share Consolidation, Capital Reduction and Share Sub-division
“Noteholder(s)”	the holder(s) of the Convertible Notes from time to time
“Outstanding Liabilities”	The loan in the principal amount of RMB12,000,000 together with such interests (equivalent to approximately HK\$13,235,894), owed by the Company to the Subscriber as at the date of the Share Subscription Agreement. The loan was assigned from Sichuan Kaiyue to the Subscriber on 16 December 2024
“PRC”	The People’s Republic of China
“Resumption Announcement”	The resumption announcement of the Company dated 21 November 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Shares of par value of HK\$0.10 each in the share capital of the Company into one (1) Consolidated Share of par value of HK\$1.00
“Share Sub-division”	the proposed sub-division of each of the authorised but unissued Consolidated Share of par value HK\$0.01 each
“Share Subscription”	the subscription by the Subscriber of the Subscription Shares pursuant to the Share Subscription Agreement
“Share Subscription Agreement”	the subscription agreement dated 28 January 2025 as amended by the Share Subscription Supplemental Agreement, between the Company and the Subscriber in respect of the Share Subscription, as amended, supplemented or otherwise modified from time to time
“Share Subscription Price”	HK\$0.0113 per Subscription Share, which shall be adjusted to HK\$0.113 upon the completion of the proposed Share Consolidation, Capital Reduction and Share Sub-division

## DEFINITIONS

“Share Subscription Supplemental Agreement”	the supplemental agreement to the Share Subscription Agreement dated 18 March 2025 entered into between the Company and the Subscriber
“Shareholders”	the holders of Shares
“Sichuan Kaiyue”	Sichuan Kaiyue Investment Group Co., Ltd.* (四川凱越投資集團有限公司)
“Specific Mandate”	the specific mandates to allot and issue with the New Shares to be proposed for approval as ordinary resolutions of the Shareholders of the EGM
“Subscriber”	Mr. Lin Fei (林飛), the subscriber to the Subscription Shares
“Subscription Agreements”	the Convertible Note Subscription Agreement and the Share Subscription Agreement, as amended, supplemented or otherwise modified from time to time
“Subscription Shares”	new Share(s) to be allotted and issued to the Subscriber pursuant to the Share Subscription Agreement, comprising a total of 585,659,030 Shares, to be adjusted to 58,565,903 New Shares upon the completion of the Share Consolidation, Capital Reduction and Share Sub-division
“Terms and Conditions”	the terms and conditions governing the Convertible Notes
“Trading Day(s)”	days on which the Hong Kong Stock Exchange is open for dealing business

\* *The English translation of the name is for reference only. The official name of the company is 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 and Chief Executive Officer)*

Mr. Kwong Wai Sun Wilson

Mr. Gao Qiang

Ms. Zhu Yufen

*Registered Office:*

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Independent Non-Executive Directors:*

Mr. Li Wei

Mr. Fang Guanghua

Mr. Yu Rengzhong

*Principal place of business*

*in Hong Kong:*

Unit 809–810, 8th Floor

Hong Kong Plaza

No. 188 Connaught Road West

Hong Kong

21 March 2025

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED ISSUE OF CONVERTIBLE NOTES  
UNDER SPECIFIC MANDATE;  
(2) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;  
(3) PROPOSED SHARE CONSOLIDATION, CAPITAL REDUCTION OF  
ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARE  
AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcements.

The purpose of this Circular is to provide you with information containing, among other things, (i) information on the Subscription Agreements; (ii) the Specific Mandate; (iii) information regarding the Share Consolidation, the Capital Reduction and the Share Sub-division; and (iv) the notice of the EGM and the form of proxy.



## LETTER FROM THE BOARD

### 1. THE CONVERTIBLE NOTES

Details of the Convertible Note Subscription Agreement, as amended by the Convertible Note Subscription Supplemental Agreement, are set out below:

**Date:**

28 January 2025 and 18 March 2025

**Parties:**

1. The Company, as issuer; and
2. The Investor, as the subscriber.

**Subscription:**

The Company has agreed to issue and the Investor has agreed to subscribe for the Convertible Notes in the principal amount of HK\$10,000,000.

**Conditions Precedent:**

The obligations of the Investor to subscribe and pay for, and the obligations of the Company to issue, the Convertible Notes are conditional upon the fulfilment of the following conditions:

1. The issuance of the Convertible Note and the related specific mandate have been approved by the shareholders of the Company in a general meeting;
2. The Noteholder has completed legal, operational, and financial due diligence on the Company to its satisfaction;
3. The Company has obtained all necessary external and internal authorizations for the execution of the documents under the Convertible Note Subscription Agreement and the performance of the transactions contemplated herein;
4. the Hong Kong Stock Exchange having granted the approval for the listing of the New Conversion Shares, and such approval not having been revoked before completion; and
5. the Company having completed its capital reorganization to lower the par value of the Shares to HK0.01 per Share.

## LETTER FROM THE BOARD

### **Closing:**

Save and except that condition (2) in the section headed “Conditions Precedent” set out above which may be waived by the Investor unilaterally at any time prior to the Long Stop Date (as defined below) by notice in writing to the Company, no other conditions can be waived by any party. Closing shall take place within five (5) business days following the satisfaction (or waiver, if applicable) of the conditions set out above.

If any condition in the section headed “Conditions Precedent” set out above (save and except such conditions precedent waived or to be waived pursuant to the above paragraph) shall not have been fulfilled by 31 July 2025 (the “**Long Stop Date**”), the Convertible Note Subscription Agreement shall, unless the parties agree in writing to postpone the Long Stop Date to another date (being a business day), automatically terminate and cease to be of any effect except for certain terms as set out in the Convertible Note Subscription Agreement which shall remain in force, and none of the parties shall have any claim of any nature or liabilities under the Convertible Note Subscription Agreement whatsoever against the other party save for any antecedent breaches of the terms of the Convertible Note Subscription Agreement.

The Company shall deliver, amongst others, to the Investor (i) a duly issued and executed certificate of Convertible Note to the Noteholder (and/or any person(s) designated by the Noteholder); (ii) a certified copy of the board resolution of the Company approving and authorizing the execution and performance of the Convertible Note Subscription Agreement (including the issuance of the Convertible Note to the Noteholder); and (iii) a certified copy of the register of convertible notes of the Company, showing the Noteholder or the nominee(s) of the Noteholder has been registered as the holder of the Convertible Notes on the date of closing.

The subscription amount of the Convertible Note shall be settled by the Investor at completion by way of set off against the outstanding liabilities owed by the Company to the Investor pursuant to the Loan Agreement. Accordingly, there will be no proceeds from the Convertible Note Subscription.

### **Undertaking:**

The Company undertakes to the Investor to (i) obtain the approval for the listing of, and permission to deal in, all the New Conversion Shares from Listing Committee of the Hong Kong Stock Exchange; and (ii) submit to the courts of Cayman Islands documents to effect the Share Consolidation, the Capital Reduction and the Share Sub-division within 4 months from the date of closing.

## LETTER FROM THE BOARD

### The Principal Terms of the Convertible Notes

The principal terms of the Convertible Notes are summarised as follows:

Principal amount: The Convertible Notes in a principal amount of HK\$10,000,000.

Maturity Date: Six months after the date of closing.

Interest rate: Save for the following, the Convertible Notes bear interest at the rate of 9 per cent. per annum from and including the date of closing and until the redemption or the conversion of the Convertible Notes. Any interest accrued is payable every six (6) months from the date of closing.

If the Noteholder exercises the right of conversion under the Convertible Notes within four (4) months of the date of drawdown of the Loan Agreement, the Convertible Notes shall bear interest at the rate of 3 per cent. per annum from and including the date of closing and until the redemption or the conversion of the Convertible Notes.

Status: The Convertible Notes constitute direct, unconditional, unsubordinated and secured obligations of the Company. The Convertible Notes shall at all times rank *pari passu* and without any preference or priority among themselves.

Conversion right: The Noteholder shall be entitled to convert in whole (but not in part), the Convertible Notes (together with accrued interests) into New Conversion Shares from the Issue Date up to the Maturity Date.

Conversion Price: The initial Conversion Price will be HK\$0.0113 per Share.

## LETTER FROM THE BOARD

Adjustment to the  
Conversion Price:

The Conversion Price will be subject to adjustment upon the occurrence of certain events as set out in the Terms and Conditions as follows:

- (i) a proportionate alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification which results in a change in the number of issued Shares and in the case of the Share Consolidation, the conversion price shall be adjusted to HK\$0.113; and
- (ii) the issue of Shares at a price lower than the then prevailing Conversion Price, in which case the conversion price shall be adjusted by multiplying:

$\frac{A+B}{A+C}$

where:

A is the number of Shares in issue immediately before the issue of such additional Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at the then prevailing conversion price; and

C is the number of Shares to be issued pursuant to such issue of Shares.

For details as to determination of the Conversion Price, please refer to the section headed “Conversion Price discussion” below.

Early redemption for  
relevant event by the  
Noteholder:

In the event of the occurrence of an event of default as set out in the Terms and Conditions, the Noteholder may request for early redemption and the Company shall redeem all the outstanding Convertible Notes at nominal value (plus interest accrued but unpaid).

Form:

The Convertible Notes will be in registered form.

Transferability:

The Convertible Notes are transferable provided that the Noteholder has notified the Company before such transfer.

## LETTER FROM THE BOARD

Event of default: If any event of default set out in the Terms and Conditions occurs, the Noteholder may give notice to the Company that the Convertible Notes, together with the interest accrued, will become immediately due and payable.

### **Conversion Price discussion**

The Company and the Investor held preliminary discussions in July 2024, but the negotiation ceased due to the uncertainty of the resumption of trading of the Shares at the relevant time. During the relevant time, the benchmark price of negotiation was HK\$0.048, the then closing price of the Shares before the trading suspension, which formed the basis of the price negotiation with the Investor. Even though the Company's share price has shown positive development since the resumption of trading, the price discussion has been anchored with reference to the earlier negotiations due to the fact that the Investor considered that investment risk in the Company is high given the Company is loss making with negative net assets and is still in its early stage of recovery of its operations. Other investors which the Company has approached have also shared the same view. The Company has ultimately come to a view that the Convertible Note Subscription is in the interest of the Company and its Shareholders on a whole given the Investor's willingness to release funds to the Company prior to the completion of the Share Consolidation, Capital Reduction and Share Subdivision, which would alleviate the Company's short term liquidity need.

### **Information about the Group**

The Group is a manufacturer of recycled copper products (also known as copper semis), communication cables and power transmission and distribution cables. The Group processes recycled scrap copper and, to a lesser extent, electrolytic copper, to manufacture a range of copper products, including copper wire rods, copper wires, copper plates, copper granules, communication cables and power transmission and distribution cables.

### **Information of the Investor**

Top Legend SPC is an exempted company incorporated with limited liability and registered as a segregated portfolio company incorporated in the Cayman Islands acting for and on behalf of one of its segregated portfolios Queens SP (being a fund incorporated in the Cayman Islands).

As at the Latest Practicable Date, each of Mr. SIT Hon (“**Mr. Sit**”) and Ms. TSANG Karen Ka Yan (“**Ms. Tsang**”) holds 50 management shares of Top Legend SPC, representing the entire number of management shares of Top Legend SPC.

Queens SP, as a segregated portfolio of Top Legend SPC, is not a legal entity. Any action of Queens SP shall be taken by Top Legend SPC acting on behalf of and for the account of Queens SP.

## LETTER FROM THE BOARD

Queens SP is managed by Top Legend Global Investment Limited in its capacity as the investment manager.

Top Legend Global Investment Limited is a company incorporated in the British Virgin Islands with limited liability on 28 July 2023, and is owned as to 50% by Mr. Sit and 50% by Ms. Tsang, respectively. Both Mr. Sit and Ms. Tsang are the directors of Top Legend Global Investment Limited.

Mr. Sit serves as the Investment Manager at Allied Top Investment Limited since April 2019. Mr. Sit invested in various types of financial assets such as private equity and stock loan. Before that, Mr. Sit was the Chief Operating Officer of a trading company, responsible for setting the strategy and overseeing business development for the luxury watches retail and wholesale company.

Ms. Tsang focuses on both pre-IPO and IPO investments, as well as fund raising for listed companies. Ms. Tsang is the founder of an investment firm, Legend Global Group Limited, which was founded in March 2015. She has led a numerous of successful investments in private equity, IPO, and secondary market. Legend Global Group Limited is wholly-owned by Ms. Tsang, with its principal business being investment holding. Save for Ms. Tsang ownership, there is no relationship between Legend Global Group Limited and Top Legend Global Investment Limited.

The Investor has been introduced to the Company in 2024 through Mr. Yu Jianqiu, the Chairman and executive director of the Company. The Investor is a segregated portfolio of Top Legend SPC, which is owned as to 50% by Hon Sit and 50% by Karen Ya Yan Tsang. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor does not hold any shares in the Company and is an Independent Third Party, does not hold any shares in the Company and is not a connected person of the Company.

### **Effect on the Share Capital of the Company as a Result of the Conversion of the Convertible Notes**

Assuming full conversion of the Convertible Notes (together with all accrued interests) at their Conversion Price, the Convertible Notes (together with all accrued interests) will be convertible into approximately 92,477,876 New Conversion Shares (as adjusted based on the proposed Share Consolidation, Capital Reduction and Share Sub-division), representing approximately 2.06% of the issued share capital of the Company as at the Latest Practicable Date and approximately 13.10% of the issued share capital of the Company as enlarged by the issue of the New Conversion Shares and the Subscription Shares. The New Conversion Shares to be issued upon conversion of the Convertible Notes will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

## LETTER FROM THE BOARD

### **The Conversion Price**

The Conversion Price was determined after arm's length negotiations between the Company and the Investor.

The Conversion Price of HK\$0.0113 represents:

- (1) a discount of approximately 90.58% to the Closing Price of HK\$0.12 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 90.55% to the average Closing Price of HK\$0.1196 per Share for the last five consecutive Trading Days up to and including the Last Trading Day; and
- (3) a discount of approximately 90.58% to the average Closing Price of HK\$0.1199 per Share for the last ten consecutive Trading Days up to and including the Last Trading Day.

### **Application for Listing**

No listing of the Convertible Notes will be sought in any jurisdiction. An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Conversion Shares.

As the Convertible Note Subscription Agreement may or may not complete, the Convertible Notes may or may not be issued and/or the New Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

## LETTER FROM THE BOARD

### 2. THE SHARE SUBSCRIPTION AGREEMENT AND THE SHARE SUBSCRIPTION SUPPLEMENTAL AGREEMENT

Details of the Share Subscription Agreement, as amended by the Share Subscription Supplemental Agreement, are set out below:

#### **Date**

28 January 2025 and 18 March 2025

#### **Parties**

- (a) The Company, as issuer; and
- (b) the Subscriber, as subscriber.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, other than the 6,000,000 share options at an exercise price of HK\$0.465 per Share that he holds, the Subscriber does not hold any Shares in the Company, and he is currently a vice president (副總監) of the Group and is an Independent Third Party in charge of the Group's overall business operations in the PRC.

The Company is of the view that Subscriber is not a connected person of the Company as (a) he does not hold any shares in the Company or its subsidiaries other than the 6,000,000 share options disclosed in the Announcement, (b) he does not hold any directorship position in any subsidiaries of the Company; (c) to the best of the Company's knowledge having conducted due and reasonable enquiries, he has no relationship with the Directors and substantial shareholders of the Company, and (d) to the best of the Company's knowledge having conducted due and reasonable enquiries, Mr. Lin acceptance of the assignment of the Loan is not financed by any of the Directors and/or substantial shareholders of the Company.

#### **Number of Subscription Shares**

The number of Subscription Shares shall be 585,659,030 Shares, to be further adjusted to 58,565,903 New Shares (assuming the completion of the Share Consolidation, Capital Reduction and Share Sub-division) at the Subscription Price for a corresponding partial discharge of the Outstanding Liabilities in the amount of HK\$6,617,947, representing approximately 13.07% of the existing issued share capital of the Company of 4,481,557,261 Shares as at the date of this announcement; and (ii) approximately 8.30% of the Company's issued share capital as enlarged by the issue and allotment of the New Conversion Shares and the Subscription Shares (assuming the completion of the Conversion, the proposed Share Consolidation, Capital Reduction and Share Subdivision).



## LETTER FROM THE BOARD

The Company has further agreed with the Subscriber to extend the maturity date of the remainder of the Outstanding Liabilities to 28 January 2026. As at the Latest Practicable Date, the Company and the Subscriber are still in discussion as to the settlement of the remainder of the Outstanding Liabilities. The Company expects to assess its financial situation continuously in assessing the most appropriate settlement method.

### Subscription Price

The Subscription Price of HK\$0.0113 per Subscription Share represents:

- (i) a discount of approximately 90.58% to the closing price of HK\$0.12 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 90.55% to the average closing price of HK\$0.1196 per Share as quoted on the Hong Kong Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day; and
- (iii) a discount of approximately 90.58% to the average closing price of HK\$0.119 per Share as quoted on the Hong Kong Stock Exchange for the 10 consecutive trading days immediately prior to the Last Trading Day.

The net price of each Subscription Share is approximately HK\$0.0113.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the Conversion Price, and having taken into account the Subscriber's willingness to accept Shares in the Company for the partial discharge of the Outstanding Liabilities. Having considered the Group's financial situation, the Directors consider that the terms and conditions of the Share 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.

### Conditions Precedent

Completion of the Share Subscription Agreement shall be subject to the following conditions being satisfied:

- (1) the Hong Kong Stock Exchange having granted the approval for the listing of the Subscription Shares, and such approval not having been revoked before Completion; and

## LETTER FROM THE BOARD

- (2) the Company having obtained all required consents and approvals for the transactions contemplated under the Share Subscription Agreement, including the approval by the Shareholders at the EGM of the Share Subscription Agreement and the transactions contemplated thereunder and the change in the par value of the Shares, and met and fully complied with the relevant laws and regulations (including but not limited to the Listing Rules and the relevant regulations in the Cayman Islands and Hong Kong), such consents and approvals remaining valid until the date of Completion and the relevant authorities not having implemented any rules or regulations to prohibit or severely delay the fulfilment and Completion of the Share Subscription Agreement.

### **Completion**

Completion shall take place no later than five (5) Business Days following the fulfillment of the conditions above or such other date as agreed by the Company and the Subscriber.

Closing of the Subscription is subject to the conditions precedent, which shall include obtaining the listing approval in respect of the issuance of the Subscription Shares and the completion of the Share Consolidation, Capital Reduction and Share Sub-division.

### **Application for Listing**

The Company will seek the Specific Mandate from the Shareholders at the EGM to allot and issue the Subscription Shares.

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

### **INFORMATION ON THE SUBSCRIBER**

The Subscriber is a vice president (副總監) of the Group in charge of the Group's overall business operations in the PRC, and has accumulated his source of wealth from his previous business ventures as an entrepreneur. The Company is of the view that Subscriber is not a connected person of the Company as (a) he does not hold any shares in the Company or its subsidiaries other than the 6,000,000 share options disclosed in the Announcement, (b) he does not hold any directorship position in any subsidiaries of the Company; (c) to the best of the Company's knowledge having conducted due and reasonable enquiries, he has no relationship with the Directors and substantial shareholders of the Company, and (d) to the best of the Company's knowledge having conducted due and reasonable enquiries, Mr. Lin acceptance of the assignment of the Loan is not financed by any of the Directors and/or substantial shareholders of the Company.

As the Share Subscription Agreement may or may not complete, the Subscription Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

## LETTER FROM THE BOARD

### REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTES AND THE SUBSCRIPTION SHARES

The Company is of the view that the Convertible Notes Subscription and the Share Subscription will strengthen the Group's working capital and liquidity position, and provide the Company with immediate funding to settle its professional parties' fees and accrued salaries. As at 31 December 2024, the outstanding overdue professional fees of the Company is approximately HK\$4.6 million, together with overdue accrued employees' salaries and related expenses of approximately HK\$6.7 million (excluding salaries due to Mr. Yu Jianqiu, who has agreed to defer the payment of his salary payment) and overdue accrued directors' fees of approximately HK\$5.1 million.

As at the date of this circular, there has been no change of plan in respect of the Group's settlement plan for the Group's outstanding liabilities. In considering the sufficiency of the Group's working capital as disclosed in the Resumption Announcement, the Company has not considered the repayment of the aforementioned expenses as the Company had previously experienced varying degree of success in delaying settlement deadlines and the Company has been in continuous negotiations with its creditors on delaying of repayment of overdue expenses. The Company had also originally expected to received funds from Sichuan Kaiyue pursuant to the Kaiyue Convertible Notes by the end of March 2025. Nevertheless, the Company has experienced an increased level of reluctance from its service providers to extend overdue repayment deadlines since the resumption of trading of its Shares. Further, the Company is of the view that certain of these expenses will need to be settled and handled delicately in order to maintain the essential functionality of the Group, for example, the settlement of auditors' fees. Whilst certain of the Group's operations have resumed and have been generating working capital, due to PRC bankruptcy laws, the Relevant Subsidiaries' revenue will be prioritized for the settlement of their own debt and the investment in their own operations, rather than distribution to the Company.

Having considered and mindfully balancing the above factors against fundraising in difficult market conditions, coupled with the delay in the Kaiyue Convertible Notes, the Company is of the view that the Convertible Note Subscription is in the interest of the Company and its Shareholders in light of its imminent funding needs.

In respect of the Subscription Shares, as disclosed in the Announcements, the Company had obtained a loan in the principal amount of RMB12 million (with an interest rate of 9% per annum) in the third quarter of 2024 from Sichuan Kaiyue which enabled the Company to settle certain of its outstanding professional fees and publish its financial results during late 2024. The Loan shall mature on 29 April 2025. In early December 2024, the Subscriber, being an employee of the Group, having been aware of the Group's financial situation and its discussions with potential investors, offered to accept the assignment of the loan with a view of taking up an equity position in the Company by converting the loan subsequently. The Company was of the view that this arrangement is beneficial to the Group as (a) it can alleviate the Company's cash flow pressure, (b) the Subscriber, with thorough understanding of the Group's business who is willing to accept Shares in lieu of repayment of cash, can potentially be a committed shareholder in the Company; and (c) it can incentivize the Subscriber Mr. Lin who has made significant contributions to the Group, including but not

## LETTER FROM THE BOARD

limited to expanding and developing the Group's business by introducing new customers to the Group which brought operating revenue of approximately RMB80 million to the Group, taking the lead to raise more than RMB800,000 to solve the salary payment of front-line employees in 2022, leading the Relevant Subsidiaries' bankruptcy reorganization process, and accepting a salary that is 3–4 times lower than that of industry prevailing rates. As a result, the Company introduced the Subscriber to Sichuan Kaiyue, who then assigned the loan to the Subscriber on 16 December 2024 on the same terms as the original loan, and the Company preliminarily agreed to issue Shares to Mr. Lin at a discounted price, subject to necessary approvals by the Shareholders. Sichuan Kaiyue was aware of the relevant arrangements as at the assignment. Having considered the above factors, the Company was of the view that the Subscription Price is fair and reasonable and in the interest of the Company and its shareholders.

Accordingly, notwithstanding the dilution impact of more than 20% but below 25% upon completion of the Subscriptions, given (i) the current financial position of the Group and immediate funding needs of the Group; (ii) the delay of the Kaiyue Convertible Note; (iii) the potential adverse impact on the Group's cash position to settle the Outstanding Liabilities in full; (iv) the Company had sought to explore other debt and equity opportunities but could not secure any financing arrangement in more favourable terms, the Directors believe that it will be beneficial to the Group to implement the Convertible Note Subscription and the Share Subscription with a view to alleviating the impact on the Company's cash flow position. For further details about the Company's financing attempt and delay of the Kaiyue Convertible Note, please refer to the section headed "USE OF PROCEEDS AND DILUTION IMPACT" below.

The proposed issue of the Convertible Note and the Subscription Shares are conditional upon the Proposed Share Consolidation, the Capital Reduction and the Share Sub-division.

## LETTER FROM THE BOARD

### EFFECTS OF THE CONVERSION AND THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 4,481,557,261 Shares in issue. The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the proposed Share Consolidation, Capital Reduction and Share Sub-division; (iii) immediately after completion of the Kaiyue Convertible Note and (iv) immediately after issue of the Convertible Shares and Subscription Shares (assuming that there will be no other change in the issued share capital and shareholding structure of the Company between the date of the Subscription Agreement and its completion, but assuming the completion of the proposed Share Consolidation, Capital Reduction and Share Sub-division) is as follows:

	As at the Latest Practicable Date		Immediately after the proposed Share Consolidation, Capital Reduction and Share Sub-division		Immediately after completion of the Kaiyue Convertible Note <sup>(note 3)</sup>		Immediately after the issue of the Convertible Shares <sup>(note 3)</sup> and Subscription Shares	
	Number of Shares directly or indirectly held	Number of Shares directly or indirectly held	Number of Shares directly or indirectly held	Number of Shares directly or indirectly held	Number of Shares directly or indirectly held	Number of Shares directly or indirectly held	Number of Shares directly or indirectly held	Number of Shares directly or indirectly held
<b>Shareholders</b>								
Mr. Yu Jiangqiu and Epoch Keen Limited (note 1)	533,886,400	11.91%	53,388,640	11.91%	53,388,640	9.62%	53,388,640	7.56%
Mr. Kwong Wai Sun Wilson (note 2)	3,272,600	0.07%	327,260	0.07%	327,260	0.06%	327,260	0.05%
Mianyang Fule Investment Co., Ltd. (綿陽富樂投資有限公司)	717,994,566	16.02%	71,799,457	16.02%	71,799,457	12.94%	71,799,457	10.17%
Sichuan Kaiyue Investment Company Limited (四川凱越投資集團有限公司)	86,908,272	1.94%	8,690,827	1.94%	115,527,325	20.82%	115,527,325	16.36%
The Investor	0	0%	0	0.00%	0	0.00%	92,477,876	13.10%
Prosper Rich Investments Limited	557,627,268	12.44%	55,762,727	12.44%	55,762,727	10.05%	55,762,727	7.90%
Mianyang Yuan Cheng Ronghe Development Group Co., Ltd. (綿陽園城融合發展集團有限公司)	500,000,000	11.16%	50,000,000	11.16%	50,000,000	9.01%	50,000,000	7.08%
First Harvest Global Limited, Gold, Wide Enterprises Limited and Ocean Through Limited	310,317,000	6.92%	31,031,700	6.92%	31,031,700	5.59%	31,031,700	4.40%
Quaestus Capital Pte. Ltd.	280,312,902	6.25%	28,031,290	6.25%	28,031,290	5.05%	28,031,290	3.97%
The Subscriber	0	0%	0	0.00%	0	0.00%	58,565,903	8.30%
Other public shareholders	1,491,238,253	33.29%	149,123,825	33.29%	149,123,825	26.86%	149,123,825	21.11%
Total public float (note 4)	2,168,776,427	48.40%	216,877,642	48.40%	258,186,815	46.51%	372,515,445	52.76%
Total	4,481,557,261	100.00%	448,155,726	100.00%	554,992,224	100.00%	706,036,003	100.00%

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.

## LETTER FROM THE BOARD

2. Mr. Kwong Wai Sun Wilson is an executive Director.
3. Assuming full conversion of the Kaiyue Convertible Note and the Convertible Note (as the case may be).
4. The calculation of the public float includes cells shaded in grey.

Upon the completion of the Conversion, the Share Subscription, the Kaiyue Convertible Note, the Share Consolidation, Capital Reduction and Share Subdivision, the Company's public float is expected to be approximately 52.76%. The Company will take all appropriate steps to ensure that sufficient public float be maintained at all times in compliance with Rule 8.08 of the Listing Rules.

### **Fundraising Activity by the Company in the Last 12 Months**

Save for the Kaiyue Convertible Note, there are no further fund raising activities of the Company during the past 12 months immediately preceding the Latest Practicable Date.

Sichuan Kaiyue is controlled by Mr. Heng Kai (衡凱) who holds 60% of the equity interest in Kaiyue Group, while the remaining 40% of the equity interest is held by Mr. Heng's wife, Ms. Ma Maohua (馬茂華). Even though there is no long stop date in the subscription agreement of the Kaiyue Convertible Note, the Company originally expected to receive funds from Sichuan Kaiyue by the end of March 2025. The Company has maintained ongoing communication with Sichuan Kaiyue, including phone calls, correspondence and meetings throughout December 2024 to February 2025. The Company last discussed with Sichuan Kaiyue before the Chinese New Year holidays and understood that Sichuan Kaiyue was still in the process of preparing the funds. Specifically, Sichuan Kaiyue is discussing with the Mianyang provincial government regarding the release of the funds. To the best of the Company's knowledge, Sichuan Kaiyue and the Mianyang provincial government are expected to meet before 31 March 2025 to discuss the date of the fund release, and the RMB400 million shall be released in full to the Company within six months of the meeting. Notwithstanding the delay in the Kaiyue Convertible Note, the Company is of the view that Sichuan Kaiyue remains a committed investor as it has advanced over RMB20 million to the Mianyang subsidiaries of the Group in the form of supply chain capital in late 2024 and early 2025 to fund the Group's manufacturing operation. Sichuan Kaiyue has opted not to extend additional financing at the Company's level as it has already committed to subscribing for the Kaiyue Convertible Note. The Company shall make further announcement as and when appropriate in respect of the Kaiyue Convertible Note.

## LETTER FROM THE BOARD

The details of the Kaiyue Convertible Note is as follows:

<b>Date of announcement</b>	<b>Fundraising activity</b>	<b>Net proceeds expected to be raised</b>	<b>Intended use of the net proceeds</b>
3 October 2024	Issue of convertible notes in the principal amount of RMB400,000,000.	Approximately HK\$443,562,248	RMB200,000,000 for injection into the Company's operations in Mianyang. It is expected that all the proceeds shall be used in the procurement of raw materials;
			RMB60,000,000 for injection into the Company's operations in Hubei. It is expected that the proceeds shall be used in the procurement of raw materials, salary expenses, and the maintenance of fixed assets and other expenditures;
			RMB60,000,000 for injection into the Company's operations in Hunan. It is expected that the proceeds shall be used in the procurement of raw materials, salary expenses, and the maintenance of fixed assets and other expenditures; and
			RMB20,000,000 for other uses, including general working capital.

Saved as disclosed in this Circular, the Company does not have any other concrete plan or arrangement to conduct any other fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising and/or investment opportunities arise in order to meet its operational needs or support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

### USE OF PROCEEDS AND DILUTION IMPACT

The subscription amount of the Convertible Note shall be settled by the Investor at completion by way of set off against the outstanding liabilities owed by the Company to the Investor pursuant to the Loan Agreement. Accordingly, there will be no proceeds from the Convertible Note Subscription. The proceeds from the Loan Agreement shall be used to settle fees of professional parties and accrued salaries. As at 31 December 2024, the outstanding overdue professional fees of the Company is approximately HK\$4.6 million, together with

## LETTER FROM THE BOARD

overdue accrued employees' salaries and related expenses of approximately HK\$6.7 million (excluding salaries due to Mr. Yu Jianqiu, who has agreed to defer the payment of his salary payment) and overdue accrued directors' fees of approximately HK\$5.1 million. The Company expects to prioritise the payment of fees and expenses which are deemed crucial to the Company's listing, such as audit fees in the amount of HK\$2.3 million, and outstanding employee salaries. Any shortfall shall be repaid with the proceeds from the Kaiyue Convertible Note.

The aggregate subscription price for the Subscription Shares shall be settled by the Subscriber at completion by way of partial set off against the Outstanding Liabilities in the amount of HK\$6,617,947 owed by the Group to the Subscriber. The net proceeds for the loan advanced pursuant the Outstanding Liabilities were used for the settlement of outstanding fees with professional parties in 2024. Accordingly, there will be no proceeds from the Share Subscription.

The subscription pursuant to the Convertible Note and the Share Subscription represents a total theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 22.9%, represented by the theoretical diluted price of approximately HK\$0.09 per Share to the benchmarked price of approximately HK\$0.12 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of the Subscription Agreements of HK\$0.12 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the Subscription Agreements of HK\$0.1196 per Share).

The Company acknowledges the potential dilutive impact of the proposed Convertible Note Subscription and the Share Subscription. As a result, the Company has sought to limit the capital raising to an amount necessary for its immediate purpose. The Company also sought alternate financing options, including approaching 15 banks and financial institutions during November 2024 to January 2025 for debt and/or equity financing but faced rejections due to the perceived high investment risk or unattractive terms (such as request for collaterals), or delays due to investors' request to see further financial results before making investment decisions. Coupled with the low trading volume of the Shares, certain investor were of the view that the current market price is not reflective of the Company's value. The Company has also considered comparable cases in assessing the level of discount that comparable companies experienced.

The Company has also maintained communication with the new investors mentioned on p.8 of the Resumption Announcement, who are still monitoring the Group's situation, including amongst others, the progress of the Debt Restructuring Plan, and no further investment terms have been finalised.



## LETTER FROM THE BOARD

### 3. PROPOSED SHARE CONSOLIDATION, CAPITAL REDUCTION AND SHARE SUB-DIVISION

The Company proposes to implement the following capital reorganization involving the Share Consolidation, the Capital Reduction and the Share Sub-division as follows.

#### **Proposed Share Consolidation**

The Board proposes to implement the Share Consolidation on the basis that every ten(10) issued and unissued Shares of par value of HK\$0.10 each be consolidated into one (1) Consolidated Share of HK\$1.00 each.

#### *Effects of the Share Consolidation*

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$10,000,000,000 divided into 100,000,000,000 Shares with par value of HK\$0.10 each, of which 4,481,557,261 Shares have been issued and are fully paid or credited as fully paid.

Assuming that no further Shares will be issued or repurchased from the Latest Practicable Date until the date of the EGM, immediately upon the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$10,000,000,000 divided into 10,000,000,000 Consolidated Shares with par value of HK\$1.00 each, of which 448,145,726 Consolidated Shares will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

Reference is made to the announcement of the company dated 3 October 2024. As at the Latest Practicable Date, the Company has agreed to issue the Kaiyue Convertible Note in an aggregate principal amount of approximately RMB400,000,000. Assuming full conversion of the Kaiyue Convertible Note, an aggregate of 1,068,364,985 Shares may be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes in full. The Share Consolidation shall cause adjustments to the conversion price of Convertible Notes and the maximum number of Consolidated Shares that will be issued upon conversion, the expected conversion shares to be issued pursuant to the Kaiyue Convertible Note is expected to be 106,836,498 New Shares.

Save for a total outstanding share options of 139,800,000 as at the Latest Practicable Date, and as disclosed in this Circular, the Company does not have any other outstanding derivatives, options, warrants, conversion rights, securities in issue, convertible securities or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as at the Latest Practicable Date.

## LETTER FROM THE BOARD

Following the Proposed Share Consolidation, the number of Consolidated Shares to be issued pursuant to the outstanding share options and their exercise price shall be adjusted as follows:

<b>Category</b>	<b>Number of Consolidated Shares to be issued upon exercise of share options in full</b>	<b>Exercise Price (HK\$)</b>
Directors	700,000	4.65
Employees	1,400,000	16.80
Employees	10,580,000	4.65
Consultants	1,300,000	16.80

No further share options shall be granted pursuant to the Company's share option scheme.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares will not be allocated to the Shareholders who may otherwise be entitled. The Directors are of the view that the Share Consolidation will not have any material adverse effect on the financial position of the Group and are in the interest of the Company and the Shareholders as a whole.

### *Conditions of the Share Consolidation*

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;
- (ii) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (iii) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be in April 2025. Further announcement on the effective date of the Share Consolidation will be made as and when appropriate.

As at the Latest Practicable Date, none of the conditions above had been fulfilled.

## LETTER FROM THE BOARD

### *Application for listing of the Consolidated Shares*

An application will be made by the Company to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Hong Kong Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Hong Kong Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Shares are listed or dealt in any other stock exchange other than the Hong Kong Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Hong Kong Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

### *Fractional entitlement to Consolidated Shares*

Fractional Consolidated Shares arising from the Share Consolidation, if any, will be disregarded and will not be allocated to the Shareholders, but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the existing Shares regardless of the number of share certificates held by such holder.

### *Odd lots arrangement and matching services*

In order to facilitate the trading of odd lots (if applicable and if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Luk Fook Securities (HK) Limited as an agent to provide matching services, on a best effort basis, regarding the sale and purchase of odd lots of Consolidated Shares from 9:00 a.m. on Friday, 25 April 2025 to 4:00 p.m. on Monday, 19 May 2025 (both days inclusive). Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares, should contact Mr. Tommy Cheng of Luk Fook Securities (HK) Limited at Units 2201-2207 & 2213-2214, 22/F. Cosco Tower, 183 Queen's Road Central, Hong Kong (telephone number: (852) 2980 0820) during the office hours of such period.

## LETTER FROM THE BOARD

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Shareholders or potential investors should note that (i) odd lots will be created after the Share Consolidation; (ii) odd lots arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) odd lots might be sold below the market price in the market.

### *Exchange of share certificates*

Subject to the Share Consolidation becoming effective, Shareholders may during the period from 9:00 a.m. on Wednesday, 9 April 2025 to 4:30 p.m. on Wednesday, 21 May 2025 (both days inclusive), submit share certificates for the existing Shares (in brown colour) to 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, in exchange, at the expense of the Company for new share certificates for the Consolidated Shares (in yellow colour). Thereafter, share certificates for the existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may be allowed by the Hong Kong Stock Exchange from time to time) for each share certificate for the Shares cancelled or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher.

The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Monday, 19 May 2025, and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of ten (10) Shares for one (1) Consolidated Share. The new share certificates for the Consolidated Shares will be issued in yellow colour in order to distinguish them from the share certificates for the Shares which are in brown colour.

### *Reasons for the Share Consolidation*

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Hong Kong Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. Further, the "Guide on Trading Arrangements for Selected Types of Corporate Actions" (the "**Guide**") issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated in June 2024 has further stated that (i) market price of the Shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

## LETTER FROM THE BOARD

The Company's Shares have been trading below HK\$0.1 prior to the resumption of trading of the Shares, and approximately at around HK\$0.1 immediately after the resumption of trading of the Shares, and the Closing Price of the existing Shares as at the Latest Practicable Date is HK\$0.075 per Share. The value of each existing board lot has been lower than HK\$2,000. The Company has considered feedback from its various potential investors who suggested consolidating the Shares to enhance their attractiveness and avoid the perception of the Shares being "penny stocks". As such, with a view of (i) achieving a trading price such that the Company will not be considered a "penny stock" with certain buffer to cater for potential price fluctuation; whilst (ii) balancing the potential adverse impact to its Shareholders arising from the odd lot as a result of a potential share consolidation, the Board has resolved that a consolidation ratio of 10 into 1 will be fair and reasonable, and in the best interest of the Company and its shareholders as a whole. Based on the Closing Price of HK\$0.075 per Share as at the Latest Practicable Date and the existing board lot size of 4,000 Shares, the Board resolved to propose the Share Consolidation, resulting in a market price of approximately HK\$0.75 per Consolidated Share (which will be higher than the extremity of HK\$0.10 as mentioned in the Guide) and approximately HK\$3,000 per board lot of 4,000 Consolidated Shares with the view to complying with the trading requirements under the Listing Rules that the expected board lot value will be greater than HK\$2,000.

The Board considers that the proposed Share Consolidation would bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Hong Kong Stock Exchange. Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge minimum transaction costs for each securities trade. In view of the above reasons, the Board considers that the Share Consolidation is justifiable notwithstanding the potential costs and impact arising from the creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the capital reorganisation and the Company does not have any other concrete plan or arrangement to conduct any other fund raising activities in the next 12 months other than disclosed above. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising and/or investment opportunities arise in order to meet its operational needs or support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in a change in the relative rights of the Shareholders.

## LETTER FROM THE BOARD

### **Proposed Capital Reduction and Share Sub-Division**

The Board further proposes that immediately following the Share Consolidation becoming effective, the Capital Reduction and the Share Sub-division will be implemented, pursuant to which:

- (i) the issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.99 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01; and
- (ii) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value of HK\$1.00 each be sub-divided into 100 New Shares of par value of HK\$0.01 each.

Each of the New Shares arising from the Capital Reduction and the Share Sub-division shall rank *pari passu* in all respects with each other each in accordance with the Memorandum and Articles and have rights and privileges and be subject to the restrictions as contained in the Memorandum and the Articles.

### ***Effect of the Capital Reduction and the Share Sub-division***

Immediately upon the Share Consolidation, the Capital Reduction and the Share Sub-division becoming effective and assuming no further Shares or (as the case may be) Consolidated Shares will be issued or repurchased from the Latest Practicable Date up to and including the date of which the Capital Reduction and the Share Sub-division shall become effective, the authorised share capital of the Company shall be HK\$10,000,000,000 divided into 1,000,000,000,000 New Shares with par value of HK\$0.01 each, of which 448,145,726 New Shares will be in issue and fully paid or credited as fully paid.

Based on the 4,481,557,261 Shares in issue as at Latest Practicable Date or (as the case may be) 448,145,726 Consolidated Shares in issue as at the date of which the Share Consolidation becoming effective, and assuming no further Shares or (as the case may be) Consolidated Shares will be issued or repurchased prior to the date of which the Capital Reduction and the Share Sub-division shall become effective, a credit amounting to approximately HK\$445.91 million will arise as a result of the Capital Reduction. It is proposed that the credit arising from the Capital Reduction will be credited to the distributable reserve account of the Company, which will be utilised by the Company in such manner as the Board may deem fit and permitted under all applicable laws, the Memorandum and the Articles.

## LETTER FROM THE BOARD

### *Effect of the Share Consolidation, the Capital Reduction and the Share Sub-division*

Assuming that there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date on which the Share Consolidation, the Capital Reduction and the Share Sub-division becoming effective, the share capital structure of the Company will be as follows:

	<b>As at the date of this announcement</b>	<b>Immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Sub-division becoming effective</b>	<b>Immediately upon the Capital Reduction and the Share Sub-division becoming effective</b>
Par value	HK\$0.10 per Share	HK\$1.00 per Consolidated Share	HK\$0.01 per New Share
Number of authorised shares of the Company	100,000,000,000 Shares	10,000,000,000 Consolidated Shares	1,000,000,000,000 New Shares
Amount of authorised share capital of the Company	HK\$10,000,000,000	HK\$10,000,000,000	HK\$10,000,000,000
Number of issued shares of the Company	4,481,557,261 Shares	448,145,726 Consolidated Shares	448,145,726 New Shares
Amount of issued share capital of the Company	HK\$448,155,726.10	HK\$448,155,726.10	HK\$4,481,457.26

Other than the expenses to be incurred in relation to the Capital Reduction and Share Sub-division, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares will not be allocated to the Shareholders who may otherwise be entitled. The Directors are of the view that the Capital Reduction and the Share Sub-division will not have any material adverse effect on the financial position of the Group and are in the interest of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### *Conditions of the Capital Reduction and the Share Sub-division*

The Capital Reduction and the Share Sub-division are conditional upon the following conditions:

- (i) the Share Consolidation has become effective;
- (ii) the passing of a special resolution by the Shareholders at the EGM to approve the Capital Reduction and the Share Sub-division;
- (iii) the Court granting an order confirming the Capital Reduction;
- (iv) compliance with any conditions which the Court may impose in relation to the Capital Reduction;
- (v) registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Act with respect to the Capital Reduction;
- (vi) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the New Shares upon the Capital Reduction and the Share Sub-division becoming effective;
- (vii) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Capital Reduction and Share Sub-division; and
- (viii) the obtaining of all necessary approvals from any regulatory authority or otherwise which may be required in respect of the Capital Reduction and the Share Sub-division.

The Capital Reduction and the Share Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Share Consolidation, the Capital Reduction and the Share Sub-division at the EGM, the legal advisors to the Company (as to Cayman Islands law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and further announcement(s) will be made by the Company as soon as reasonably practicable after the Court hearing date(s) are confirmed. The Proposed Share Consolidation, Capital Reduction of Issued Shares and Sub-Division of Unissued Shares, are not conditional upon the proposed issue of Convertible Notes and Subscription Shares.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.



## LETTER FROM THE BOARD

### *Application for listing of the New Shares*

An application will be made by the Company to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and the permission to deal in, the New Shares upon the Capital Reduction and the Share Sub-division becoming effective.

Subject to the granting of listing of, and permission to deal in, the New Shares on the Stock Exchange upon the Capital Reduction and the Share Sub-division becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

None of the Shares are listed or dealt in any other stock exchange other than the Hong Kong Stock Exchange, and at the time the Capital Reduction and the Share Sub-division becoming effective, the New Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

### *Exchange of share certificates for the New Shares*

As the Court hearing dates have yet to be fixed, the effective date of the Capital Reduction and the Share Sub-division as set out under the section titled “Expected Timetable” is tentative at present. Should the Capital Reduction and the Share Sub-division become effective, Shareholders may submit share certificates for the Consolidated Shares (in yellow colour) to 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 to exchange for new share certificates for the New Shares (in blue colour) at the expense of the Company within the relevant free exchange period from the date of which the Capital Reduction and the Share Sub-division shall become effective. Details of such free exchange of share certificates will be announced as soon as the date of which the Capital Reduction and the Share Sub-division shall become effective is ascertained.

The Company will publish announcement(s) to update the Shareholders when the Court hearing dates, the effective date of the Capital Reduction and the Share Sub-division, and the period when the Shareholders can submit share certificates for the Consolidated Shares to exchange for new share certificates for the New Shares is/are ascertained and/or updated.

## LETTER FROM THE BOARD

All existing certificates of the Consolidated Shares or (as the case may be) the Shares will continue to be evidence of title to such Shares but all existing certificate of Shares will cease to be valid for trading and settlement purpose.

### *Reasons for the Capital Reduction and Share Sub-division*

Under the Companies Act, a company may not issue shares at a discount to the nominal value of such shares. Immediately after completion of the Share Consolidation but before implementation of the Capital Reduction and the Share Sub-division, the nominal value of the Consolidated Shares will be HK\$1.00 per Consolidated Share. The Capital Reduction and the Share Sub-division will keep the nominal value of the New Shares at a lower level of HK\$0.01 per New Share, which allows greater flexibility in the pricing for any issue of new Shares in the future. The credit in the distributable reserve account arising from the Capital Reduction will enable the Company to set off its accumulated loss and may be applied in future for distribution to the Shareholders or in any manner permitted by applicable laws, the Memorandum and the Articles. The Board considers that the Capital Reduction and the Share Sub-division is beneficial to and in the interests of the Company and the Shareholders as a whole.

### **NO CHANGE IN BOARD LOT SIZE**

As at the Last Trading Day, the Shares were traded on the Hong Kong Stock Exchange in board lot size of 4,000 Shares. Upon the Share Consolidation, the Capital Reduction and the Share Sub-division becoming effective, if and when the New Shares resume trading on the Hong Kong Stock Exchange, the board lot size for trading in the New Shares will remain unchanged at 4,000 New Shares per board lot.

Based on the Closing Price of HK\$0.119 per Share (equivalent to the theoretical closing price of HK\$1.19 per Consolidated Share) as quoted on the Hong Kong Stock Exchange as at the Last Trading Day, (i) the value per board lot of 4,000 Shares is HK\$476; and (ii) the estimated value per board lot of 4,000 New Shares would be HK\$9,520 assuming that the Share Consolidation, the Capital Reduction and the Share Sub-division becomes effective.

### **EGM AND PROXY ARRANGEMENT**

The EGM will be held at Unit 809–810, 8th Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong at 2:00 p.m. on Monday, 7 April 2025 for the Shareholders to consider and, if thought fit, pass the necessary resolutions for approving the Share Consolidation, the Capital Reduction and the Share Sub-division. The necessary resolutions approving the Share Consolidation, the Capital Reduction and the Share Sub-division will be conducted by way of poll at the EGM and an announcement on the results of the EGM will be made by the Company after the EGM.

## **LETTER FROM THE BOARD**

To the best knowledge, information and belief of the Directors, no Shareholder has a material interest in the Share Consolidation, the Capital Reduction or the Share Sub-division or is required to abstain from voting on the necessary resolutions for approving the Share Consolidation, the Capital Reduction and the Share Sub-division at the EGM.

The notice of the EGM is set out on pages 38 to 42 of this circular.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you so wish and in such event, the form of proxy shall be deemed to be revoked

### **CLOSURE OF REGISTER OF MEMBERS**

For the purposes of determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 1 April 2025 to Monday, 7 April 2025 (both dates inclusive) during which period no transfer of the Shares will be registered. In order to qualify for attendance and voting at the EGM, each Shareholder must lodge all properly completed transfer forms, accompanied by the relevant share certificates, with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 2:00 p.m. on Saturday, 5 April 2025.

### **LISTING RULES REQUIREMENT**

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The chairman of the EGM will therefore demand a poll for the ordinary and special resolutions put to the vote at the EGM in accordance with the articles of association of the Company. The results of the poll shall be deemed to be the ordinary and special resolutions of the EGM in which the poll was demanded or required, and the poll results will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company (<http://www.cmru.com.cn>) after the EGM.

## LETTER FROM THE BOARD

### GENERAL

Investors should also be aware that the Subscription Agreements, the Share Consolidation and the Specific Mandates may or may not be approved by the Shareholders at the EGM and the Class Meetings. In addition, the Convertible Note Subscription and the Shares Subscription are subject to the satisfaction of a number of conditions. There is no assurance that any of the conditions will be fulfilled, therefore the Convertible Note Subscription and the Shares Subscription may or may not proceed and complete. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

### 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.

### RECOMMENDATIONS

The Directors consider that the proposed resolutions in relation to the Convertible Note, the Share Subscription, the Share Consolidation, the Capital Reduction and the Share Sub-division to be put forward at the EGM are in the best interests of the Company. Accordingly, the Directors recommend that the Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Convertible Note, the Share Subscription, the Share Consolidation, the Capital Reduction and the Share Sub-division.

Yours faithfully  
By order of the board of Directors  
**China Metal Resources Utilization Limited**  
**Mr. YU Jianqiu**  
*Chairman*

## EXPECTED TIMETABLE

The expected timetable for the Share Consolidation, the Capital Reduction and the Share Sub-division is set out below. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Share Consolidation, the Capital Reduction and the Share Sub-division and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates unless otherwise stated in this circular.

### Time and date

Expected date of despatch of Circular, the notice of the EGM and the form of proxy of the EGM .....	on or before Friday, 21 March 2025
Latest date and time for lodging transfer documents in order to qualify for attending and voting at EGM.....	4:30 p.m. on Monday, 31 March 2025
Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive).....	Tuesday, 1 April 2025 to Monday, 7 April 2025
Latest date and time for lodging the proxy form for the EGM.....	2:00 p.m. on Saturday, 5 April 2025
Record date for EGM.....	Monday, 7 April 2025
Expected date and time of the EGM.....	2:00 p.m. on Monday, 7 April 2025
Publication of announcement of poll results of the EGM.....	Monday, 7 April 2025

**The following events are conditional upon the results of the EGM and therefore the dates are tentative only.**

### Time and date

Effective date of the Share Consolidation.....	Wednesday, 9 April 2025
First day for free exchange of existing share certificates for new share certificates of the Consolidated Shares.....	Wednesday, 9 April 2025
Dealings in the Consolidated Shares commence.....	9:00 a.m. on Wednesday, 9 April 2025

<b>EXPECTED TIMETABLE</b>
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**Time and date**

<p>Original counter for trading in existing Shares in board lots of 4,000 Shares (in the form of existing share certificates) temporarily closes .....</p>	<p>9:00 a.m. on Wednesday, 9 April 2025</p>
<p>Temporary counter for trading in Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) opens .....</p>	<p>9:00 a.m. on Wednesday, 9 April 2025</p>
<p>Original counter for trading in Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of new share certificates for Consolidated Shares) re-opens .....</p>	<p>9:00 a.m. on Friday, 25 April 2025</p>
<p>Parallel trading in the Consolidated Shares (in the form of new share certificates for the Consolidated Shares and existing share certificates) commences .....</p>	<p>9:00 a.m. on Friday, 25 April 2025</p>
<p>Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares .....</p>	<p>9:00 a.m. on Friday, 25 April 2025</p>
<p>Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares.....</p>	<p>4:00 p.m. on Monday, 19 May 2025</p>
<p>Temporary counter for trading Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) closes.....</p>	<p>4:10 p.m. on Monday, 19 May 2025</p>
<p>Parallel trading in Consolidated Shares (in the form of new share certificates for the Consolidated Shares and existing share certificates) ends .....</p>	<p>4:10 p.m. on Monday, 19 May 2025</p>
<p>Last date and time for free exchange of existing share certificates for the new share certificates of the Consolidated Shares.....</p>	<p>4:30 p.m. on Wednesday, 21 May 2025</p>

## EXPECTED TIMETABLE

**The following events are conditional upon the results of the EGM, compliance with any requirements imposed by the Court in order for it to be able to confirm, the Capital Reduction, and the availability of the Court. It may be two to three months before the matter is heard by the Court. The dates are therefore tentative only.**

### Time and date

Effective date and time of the Capital Reduction and the Share Sub-division.....	Before 9:00 a.m. on Monday, 2 June 2025
Commencement of dealing in the New Shares.....	9:00 a.m. on Monday, 2 June 2025
First day of free exchange of existing share certificates for the Consolidated Shares into new share certificates for New Shares.....	Monday, 2 June 2025
Last day of free exchange of existing share certificates for the Consolidated Shares into new share certificates for New Shares.....	Wednesday, 9 July 2025

All times and dates specified in this circular refer to the Hong Kong local times and dates. The expected timetable is subject to the satisfaction of all the conditions of the Share Consolidation, Capital Reduction and the Share Sub-division and is therefore for indicative purpose only. Any subsequent changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.



**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 “**EGM**”) of China Metal Resources Utilization Limited (the “**Company**”) will be held at Unit 809–810, 8th Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong at 2:00 p.m. on Monday, 7 April 2025 for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

**ORDINARY RESOLUTIONS**

1. (a) **“THAT** the conditional subscription agreement dated 28 January 2025, as amended on 18 March 2025 (the “**Convertible Note Subscription Agreement**”) and entered into between the Company as issuer and Top Legend SPC on behalf of Queens SP as subscriber (the “**Investor**”) in relation to the issue of the convertible notes (“**Convertible Notes**”) in the principal amount of HK\$10,000,000 due on the day which lands on the sixth month after the date of issue (copies of the subscription agreement and the supplemental agreement having been produced to the EGM and marked “A” and initialed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes, the allotment and issue of the conversion shares (the “**Conversion Shares**”) upon exercise of conversion rights attaching to the Convertible Notes), be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company (the “**Directors**”) be and is hereby granted a specific mandate to allot and issue the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Notes in accordance with the terms and conditions of the Convertible Notes; 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 Convertible Note Subscription Agreement and (2) the issue and allotment of Conversion Shares pursuant to the Convertible Note Subscription Agreement.



## NOTICE OF THE EGM

2. (a) **THAT** the conditional subscription agreement dated 28 January 2025, as amended on 18 March 2025 (the “**Share Subscription Agreement**”) and entered into between the Company as issuer and Lin Fei as subscriber (the “**Subscriber**”) in relation to the issue of a total of 585,659,030 shares of the Company, to be adjusted to 58,565,903 shares of the Company upon the completion of the share consolidation, capital reduction and share sub-division contemplated under resolutions 3 and 4 below (the “**Subscription Shares**”) (copies of the subscription agreement and the supplemental agreement having been produced to the EGM and marked “B” and initialed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
  - (b) the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to issue and allot the Subscription Shares, subject to and in accordance with the terms and conditions of the Share 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 Share Subscription Agreement and (2) the issue and allotment of Subscription Shares pursuant to the Share Subscription Agreement.
3. **THAT** subject to and conditional upon (i) the granting of approval by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) of the listing of, and permission to deal in, the Consolidated Shares (as defined below); and (ii) compliance with the relevant procedures and requirements under the applicable laws of Cayman Islands and the Rules Governing the Listing of Securities of the Stock Exchange to effect the Share Consolidation (as defined below):
  - (a) with effect from the second business day immediately following the date on which this resolution is passed or the above condition is fulfilled (whichever is later):
    - (i) every ten (10) issued and unissued ordinary shares of par value HK\$0.10 each in the share capital of the Company be consolidated into one (1) share (each a “**Consolidated Share**”) of par value HK\$1.00 (the “**Share Consolidation**”), such Consolidated Shares to rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company;
    - (ii) the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation be and is hereby rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the Share Consolidation (if applicable);

## NOTICE OF THE EGM

- (iii) immediately following the Share Consolidation, the authorised share capital of the Company be changed from HK\$10,000,000,000 divided into 100,000,000,000 ordinary shares of par value of HK\$0.10 each to HK\$10,000,000,000 divided into 10,000,000,000 ordinary shares of par value of HK\$1.00 each; and
- (iv) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which relate to the Share Consolidation and are of administrative nature, on behalf of the Company, including under seal where applicable, as he/they consider(s) necessary, desirable or expedient to give effect to the foregoing arrangements for the Share Consolidation.”

And for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as a special resolution:

### SPECIAL RESOLUTION

- 4. **“THAT** subject to and conditional upon (i) the Share Consolidation has become effective; (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares (as defined below) in issue and to be issued upon the Capital Reduction (as defined below) and the Sub-division (as defined below) becoming effective; (iii) the Grand Court of the Cayman Islands (**“Court”**) granting an order confirming the Capital Reduction; (iv) compliance with any conditions which the Court may impose in relation to the Capital Reduction; (v) the registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minutes approved by the Court containing the particulars required under the Companies Act (Revised) of the Cayman Islands with respect to the Capital Reduction; (vi) compliance with the relevant procedures and requirements under the applicable laws of the Cayman Islands and the Rules Governing the Listing of Securities on the Stock Exchange to effect the Capital Reduction and the Sub-division; and (vii) the obtaining of all necessary approvals from any regulatory authority or otherwise which may be required in respect of the Capital Reduction and the Sub-division, with effect from the date on which the above conditions are fulfilled (the **“Effective Date”**):
  - (a) the issued share capital of the Company be reduced by cancelling the paid-up capital of the Company to the extent of HK\$0.99 on each of the issued Consolidated Shares of the Company of par value HK\$1.00 each (the **“Shares”**) such that the par value of each issued Share will be reduced from HK\$1.00 to HK\$0.01 (the **“Capital Reduction”**);

## NOTICE OF THE EGM

- (b) immediately after the Capital Reduction becomes effective, each of the authorised but unissued Consolidated Shares of par value HK\$1.00 each be sub-divided (the “**Sub-division**”) into one hundred (100) unissued new shares of par value HK\$0.01 each (the “**New Shares**”), such New Shares to rank *pari passu* in all respects with each other and have the rights and privileges, and be subject to the restrictions, in respect of ordinary shares contained in the memorandum and articles of association of the Company;
- (c) immediately following the Capital Reduction and the Sub-division, the authorised share capital of the Company be changed from HK\$10,000,000,000 divided into 10,000,000,000 Consolidated Shares to HK\$10,000,000,000 divided into 1,000,000,000,000 New Shares;
- (d) the credit arising from the Capital Reduction be applied towards offsetting the accumulated losses of the Company (the “**Accumulated Losses**”) as at the Effective Date and the balance of any such credit remaining after offsetting the Accumulated Losses (if any) be transferred to a distributable reserve account of the Company which may be applied by the Company in any manner permitted under all applicable laws and the memorandum and articles of association of the Company; and
- (e) each director of the Company be is hereby authorised to do all such acts and things and execute (under hand or as a deed and, where appropriate, under the common seal of the Company) each such document, on behalf of the Company, as that director may consider necessary or expedient to give effect to, or in connection with, the Capital Reduction or the Sub-division”.

Yours faithfully  
By order of the board of Directors  
**China Metal Resources Utilization Limited**  
**Mr. YU Jianqiu**  
*Chairman*

Hong Kong, 21 March 2025

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.

## NOTICE OF THE EGM

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjourned meeting thereof (as the case may be) at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the EGM or any adjourned meeting thereof or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. The register of members of the Company will be closed from Tuesday, 1 April 2025 to Monday, 7 April 2025 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, 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 2:00 p.m. on Saturday, 5 April 2025 for registration.
7. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on the Stock Exchange, all votes of shareholders of the Company at the EGM will be taken by poll and the results of the poll will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cmru.com.cn>).
8. The translation into Chinese language of the notice convening the meeting is for reference only. In case of any inconsistency or discrepancy, the English version shall prevail.

*As at the date of this notice, 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.*