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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)

DISCLAIMER OPINION ON THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

The Company's auditors expressed a disclaimer opinion on the Company's financial statements for the year ended 31 December 2024 relating to going concern (the **"Disclaimer Opinion"**). The purpose of this announcement is to provide updated information for investors to understand the Company's actions in resolving the Disclaimer Opinion.

As of this date the Company's operating subsidiaries, Mianyang Tongxin Copper Co., Ltd. (**"Tongxin"**), Mianyang Jin Xunhuan Metal Materials Co., Ltd. (**"Jin Xunhuan"**), Mianyang Baohe Taiyue Cable Communications Co., Ltd. (**"Taiyue"**), Hunan Yinlian Xiangbei Copper Co., Ltd. (**"Yinlian Xiangbei"**) and Hubei Rongsheng Copper Co., Ltd. (**"Hubei Rongsheng"**), are still undergoing restructuring with existing debt holders in accordance with the applicable provisions of the Enterprise Bankruptcy Law of the People's Republic of China (the **"Debt Restructuring"**). The Company has planned and thus envisaged the debt restructuring of these subsidiaries (the **"Relevant Subsidiaries"**) will be completed in the following manner:

The Company has planned and aimed for the debts of the Company's major creditors, which are state-owned companies including Mianyang Fule (**"Fule"**) and China Huarong International Holdings Limited (**"Huarong"**), to be converted into equity of the Company. Once these major state-owned creditors have agreed to this debt to equity swap, the Company and the Joint Administrators to the Debt Restructuring will prepare an overall debt restructuring plan for all other creditors' debts. This overall debt restructuring plan will be approved in a creditors' meeting and then approved by the court. Once approved by the court, the Debt Restructuring is complete and all creditors must follow and restructure their debts in accordance with the overall debt restructuring plan.

From discussions with the major state-owned creditors, in order for them to convert their debt into the Company's equity, it is imperative that the Company's business operations return to a more normal level as they consider that investment risk is too high to convert their debt into the Company's equity under the Company's current level of business operations. Consequently, the Company needs to raise the necessary capital in order to bring back its business operations to a normal level. The Company estimates that by raising RMB300 million to RMB500 million, the Company's business operations will return to a normal level as its production will increase to over 50% of its total production capacity. Therefore, securing investor(s) who will invest RMB300 million to RMB500 million is the most important first step as it will drive the whole process of the Debt Restructuring.

For the year ended 31 December 2024, the Company has taken the following actions to address the Disclaimer Opinion.

Progress on bankruptcy reorganisation and creditors meetings

The second creditors' meeting in relation to debts of the TongXin, Jin Xunhuan and Taiyue was held on 3 June 2024. Also, during the meeting, a vote was held on continued production and operation of TongXin, Jin Xunhuan and Taiyue. The vote was unanimously passed to encourage continued production.

The first creditors' meeting of Yinlian Xiangbei was held on 5 January 2024. The Yinlian Xiangbei and bankruptcy reorganisation administrator is in process of verifying the claims and debts of creditors.

In 2024, the bankruptcy reorganisation administrator had engaged an independent party to conduct a special audit on Hubei Rongsheng and its subsidiary. On 18 August 2024, the administrator terminated the pre-reorganisation procedure on the grounds that no investors had signed up to participate in the reorganisation.

Finding investors for new capital

Due to the fact that the Company's shares were suspended for the whole of 2024 until 22 November 2024, investors' interest in the Company were significantly weakened during this period. Nevertheless, the Company was able to sign a RMB400 million convertible bond agreement with Sichuan Kaiyue Investment Company Limited ("**Kaiyue**") in October 2024. In addition, the Company initiated discussions at the end of October 2024 with a provincial level state-owned company from Sichuan ("**Sichuan Investor**") who is interested to invest RMB300 million to RMB500 million in the Company.

Discussions and negotiations with major state-owned creditors

During the year ended 31 December 2024, the Company has been in active discussions with its major state-owned creditors including Fule and Huarong. Although no formal agreement has been reached, these major state-owned creditors were open to the idea of swapping their debt into the Company's equity as part of the Debt Restructuring subject to the Company business operations returning to a normal level. As of this date, no legal action has been taken by Huarong for the expired convertible bonds. The Company is of the view that although no written agreement on Huarong convertible bonds had been signed, Huarong and the Company has been maintaining positive communication.

Discussions and negotiations with banks and government tax authorities

During 2024 the Company has regularly discussed with the banks and government tax authorities the ways which their debts are to be restructured. Both banks and government tax authorities were unwilling to agree formally and take individual actions on the debt but rather wait for the overall debt restructuring plan which will be prepared after the agreement with the major state-owned creditors has been reached. Nevertheless, the Company expects that both the bank debts and the debts owed to government tax authorities will be restructured in the following manner: 1. an extension of the principle amount owed 2. a haircut to the amount of interest owed 3. default fees are to be waived.

Cost control and working capital management

With the support of local governments, some subsidiaries of the group have gradually resumed production in 2024. Since resuming work and production, the Company has worked with procurement, production, sales, risk control, and finance departments to strengthen inventory management and improve inventory turnover which have been shortened to 7-10 days. The Company has also maintained effective communication with customers, basically achieving "payment upon delivery and clearance of goods", strictly control bad debts and increased monthly capital turnover to 3 times.

In terms of reducing production costs, the production and operation team, with the support of the Joint Administrators invested nearly one million yuan to upgrade the combustion system and environmental protection system of the production equipment, which has achieved good results in reducing energy consumption and saved about 15 yuan/ton in gas costs. In terms of raw material procurement and acceptance, the quality is strictly controlled, and dynamic assessment is carried out with the production department, and the net loss rate of copper is controlled within 0.5%. With the support of the Joint Administrators, the positions and personnel of the Company overall were re-determined and re-staffed, and "economic layoffs" were

implemented in accordance with the Bankruptcy Law and the Labor Law, effectively reducing manufacturing costs and management costs. The Company has also made up for the shortage of working capital by renting out idle factories and revitalising existing assets.

Litigations and progress on the lifting of frozen bank accounts and assets

Before entering into the bankruptcy reorganisation, certain inventories, bank accounts, and factories of Tongxin, Jin Xunhuan and Taiyue were legally seized or frozen due to litigations. After entering into bankruptcy reorganisation in accordance with the provisions of the Bankruptcy Law, the frozen bank accounts and seized inventories were gradually unfrozen, and the companies were able to continue to use factory buildings and equipment and use bank accounts normally for receipts and payments, gradually resuming operations from a state of suspension of work and production. As a result of entering into bankruptcy reorganisation, the operations of the Tongxin, Jin Xunhuan and Taiyue will not be affected by litigation issues.

In 2025 up to date, the following progress has been made on the Company's action plan towards the resolution of the Disclaimer Opinion.

Finding investors for new capital

As mentioned above in this announcement, finding investors who will invest RMB300 million to RMB500 million in the Company is the most important first step in the Company's debt restructuring process. As such, the Company has been very active in trying to secure such investment capital in 2025.

Due to a liquidity issue, the RMB400 million convertible bond investment by Kaiyue was delayed. The Company still expects this convertible bond issue to complete when the liquidity issue is resolved. Meanwhile, the Sichuan Investor has commenced due diligence work on the Company and as of this date such work is still in progress. In addition, the Company has initiated discussions with a new investor who is a provincial level state-owned company from Hubei ("**Hubei Investor**"). The Hubei Investor is also currently conducting due diligence work on the Company.

Discussions and negotiations with creditors

The Company continued to communicate with its creditors including banks and government tax authorities. Since the ways each type of creditors' debts are planned to be restructured have been discussed, no further details on the restructuring of these debts are expected to be confirmed until the Company raises the necessary capital, returns its business operations to a normal level and the major state-owned creditors formally agreed to swap their debts into equity of the Company.

Cost control and working capital management

The Company has made further efforts to use its personnel efficiently. Firstly, only the absolutely necessary workers in production and operation will work full time while the necessary supporting workers will take shifts to work. The Company also issued compulsory leave orders for the less important employees to take such leave. Such measures have reduced the Company's fixed operating expenses.

Litigations and progress on the lifting of frozen bank accounts and assets

After two of our operating subsidiaries, Mianyang Jinxin Copper Co. Ltd. ("**Jinxin**") and Sichuan Baohe Xinshiji Cable Co. Ltd. ("**Xinshiji**"), entered into Bankruptcy Reorganisation in June 2025, bank accounts and operating assets of Xinshiji and Jinxin have been unfrozen such that these two operating subsidiaries are now able to resume business operations. As a result of entering into bankruptcy reorganisation, the operations of Jinxin and Xinshiji will not be affected by litigations. With the Relevant Subsidiaries together with Jinxin and Xinshiji, being all of our main operating subsidiaries, entering into bankruptcy reorganisation, the Company's operations will no longer be affected by litigations.

By Order of the Board
China Metal Resources Utilization Limited
Mr. Yu Jianqiu
Chairman

Hong Kong, 30 July 2025

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