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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)**

### **SUPPLEMENTAL SUBSCRIPTION AGREEMENT REGARDING ISSUE OF NEW SHARES UNDER REVISED SPECIFIC MANDATE**

#### **BACKGROUND**

Reference is made to the announcement of the Company dated 20 July 2020 and the circular of the Company dated 25 August 2020, in relation to the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for 618,490,566 Subscription Shares at the Original Subscription Price of HK\$0.53 per Subscription Share; and the announcement of the Company dated 15 September 2020 regarding the poll results of the First EGM to approve the Subscription Agreement and the grant of the Original Specific Mandate.

#### **THE SUPPLEMENTAL SUBSCRIPTION AGREEMENT**

On 4 January 2021, the Company and the Subscriber entered into the Supplemental Subscription Agreement to amend certain terms of the Subscription Agreement. Pursuant to the Supplemental Subscription Agreement, the Revised Subscription Price of HK\$0.465 per Subscription Share is adopted. Accordingly, the amount of Outstanding Liabilities, for which the Subscriber shall use to set off the aggregate subscription price for all 618,490,566 Subscription Shares pursuant to the terms of the Subscription Agreement, is amended from RMB298,000,000 to RMB261,452,830. The Company and the Subscriber also agreed to extend the Long Stop Date from 31 December 2020 to 31 March 2021 (or any such other date as the parties may agree in writing).

Save for the amendments as mentioned above, there is no other change to the Subscription Agreement.

## LISTING RULES IMPLICATIONS

As a result of the Supplemental Subscription Agreement, the Company will re-comply with the Listing Rules by seeking the Revised Specific Mandate from the Shareholders at the Second EGM to allot and issue the Subscription Shares at the Revised Subscription Price pursuant to the terms of the Revised Subscription Agreement. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Second EGM will be convened for the Shareholders to consider and, if thought fit, to approve among other things, the Supplemental Subscription Agreement and the transactions contemplated thereunder (including but not limited to the Revised Specific Mandate).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than the Subscriber and Huarong, no Shareholder will be required to abstain from voting at the Second EGM in respect of the Supplemental Subscription Agreement and the transactions contemplated thereunder (including but not limited to the Revised Specific Mandate).

A circular containing, among other things, (i) information on the Supplemental Subscription Agreement; (ii) the Revised Specific Mandate; and (iii) a notice of the Second EGM and a form of proxy will be despatched to the Shareholders as soon as practicable.

**Shareholders and potential investors should note that Completion is subject to the fulfilment or waiver of conditions under the Revised Subscription Agreement, and may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

### 1. BACKGROUND

Reference is made to the announcement of the Company dated 20 July 2020 and the circular of the Company dated 25 August 2020, in relation to the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for 618,490,566 Subscription Shares at the Original Subscription Price of HK\$0.53 per Subscription Share; and the announcement of the Company dated 15 September 2020 regarding the poll results of the First EGM to approve the Subscription Agreement and the grant of the Original Specific Mandate.

The First EGM was held on 15 September 2020 at which the Shareholders have passed an ordinary resolution to approve the Subscription Agreement and the grant of the Original Specific Mandate.

## **2. THE SUPPLEMENTAL SUBSCRIPTION AGREEMENT**

On 4 January 2021, the Company and the Subscriber entered into the Supplemental Subscription Agreement to amend certain terms of the Subscription Agreement as set out below:

**Date:**

4 January 2021

**Parties:**

- (1) The Company, as issuer; and
- (2) The Subscriber, as subscriber.

As at the date of the Supplemental Subscription Agreement, the Subscriber holds 75,980,000 Shares, representing approximately 2.89% of the existing issued share capital of the Company of 2,631,603,838 Shares as at the date of this announcement. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Subscriber and its sole shareholder and also its sole ultimate beneficial owner, the State-Owned Assets Supervision and Administration Office of Youxian District Mianyang City\* (綿陽市遊仙區國有資產監督管理辦公室), is an Independent Third Party.

**Number of Subscription Shares:**

The 618,490,566 Subscription Shares to be allotted and issued to the Subscriber represent (i) approximately 23.5% of the existing issued share capital of the Company of 2,631,603,838 Shares as at the date of this announcement; and (ii) approximately 19.0% of the Company's issued share capital of 3,250,094,404 Shares as enlarged by the issue and allotment of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of the Supplemental Subscription Agreement and Completion save for the issue of the Subscription Shares).

Immediately upon the Completion, the Subscriber will become a substantial Shareholder of the Company. The Subscription Shares will be allotted and issued under the Revised Specific Mandate to be granted by the Shareholders at the Second EGM.

**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.

## **Amendments to the Subscription Agreement:**

### *Revised Subscription Price*

The Original Subscription Price, as agreed in the Subscription Agreement, was HK\$0.53 per Subscription Share.

Pursuant to the Supplemental Subscription Agreement, the Revised Subscription Price of HK\$0.465 per Subscription Share is adopted, which represents:

- (i) a premium of approximately 140.9% to the closing price of HK\$0.193 per Share as quoted on the Stock Exchange on 4 January 2021, being the date of the Supplemental Subscription Agreement;
- (ii) a premium of approximately 151.4% to the average closing price of HK\$0.185 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Supplemental Subscription Agreement; and
- (iii) a premium of approximately 201.9% to the average closing price of HK\$0.154 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the date of the Supplemental Subscription Agreement.

The Revised Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the recent trading price of the Shares, and was at a premium to the highest price of HK\$0.41 for the period from 20 July 2020 (the date of the Subscription Agreement) to 4 January 2021 (the date of the Supplemental Subscription Agreement). The Directors consider that the terms and conditions of the Supplemental Subscription Agreement (including the Revised Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the amount of Outstanding Liabilities, for which the Subscriber shall use to set off the aggregate subscription price for all 618,490,566 Subscription Shares pursuant to the terms of the Subscription Agreement, is amended from RMB298,000,000 to RMB261,452,830. Therefore, there will be no proceeds from the Subscription.

### *Extension of Long Stop Date*

According to the Subscription Agreement, if any of the conditions precedent to the Subscription Agreement cannot be fulfilled by 31 December 2020 (or any such other date as the parties may agree in writing), the Subscription Agreement will be automatically terminated and lapse, and the obligations of the parties under the Subscription Agreement will be released, except for certain specified provisions and legal responsibilities arising from the antecedent breach.

Given that the Company will seek the approval from the Shareholders for the grant of the Revised Specific Mandate as a result of the Supplemental Subscription Agreement, the Company and the Subscriber have agreed to extend the Long Stop Date to 31 March 2021 (or any such other date as the parties may agree in writing).

Save for the amendments as mentioned above, there is no other change to the Subscription Agreement.

**Conditions precedent:**

The amendments to the Subscription Agreement as outlined above are conditional upon the Shareholders having approved the Supplemental Subscription Agreement and the transactions contemplated thereunder (including but not limited to the Revised Specific Mandate) at the Second EGM.

**3. APPLICATION FOR LISTING**

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

**4. REASONS FOR ENTERING INTO THE SUPPLEMENTAL SUBSCRIPTION AGREEMENT AND USE OF PROCEEDS**

The Subscriber considered the recent depreciation of HKD against RMB by approximately 7.3% and the recent continuing decrease of the Company's share price, and re-negotiated the subscription price with the Company. The Company considered the Revised Subscription Price acceptable and beneficial to the Shareholders as there is still a significant premium over the recent average price of the Shares.

Accordingly, the Directors consider that the terms of the Supplemental Subscription Agreement including the Revised Subscription Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate subscription price for all 618,490,566 Subscription Shares shall be settled by the Subscriber at Completion by way of set off against the Outstanding Liabilities owed by the Group to the Subscriber. Accordingly, there will be no proceeds from the Subscription.

## 5. LISTING RULES IMPLICATIONS

As at the date of the Supplemental Subscription Agreement, the Directors are only allowed to issue up to 526,320,767 new Shares under the General Mandate. Accordingly, the Company will re-comply with the Listing Rules by seeking the Revised Specific Mandate from the Shareholders at the Second EGM to allot and issue the Subscription Shares at the Revised Subscription Price pursuant to the terms of the Revised Subscription Agreement. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Second EGM will be convened for the Shareholders to consider and, if thought fit, to approve among other things, the Supplemental Subscription Agreement and the transactions contemplated thereunder (including but not limited to the Revised Specific Mandate).

The Subscriber, as of the date of this announcement, holds 75,980,000 Shares, representing approximately 2.89% of the total issued Shares of the Company, being considered to have material interests in respect of the Subscription, shall abstain from voting on the relevant resolutions at the Second EGM.

Huarong, as of the date of this announcement, holds 90,881,295 Shares, representing approximately 3.45% of the total issued Shares of the Company, being considered to have material interests in respect of the Subscription due to the use of the proceeds from the Loan Agreement to repay, among others, the existing indebtedness owned by the Group to Huarong, is expected to abstain from voting on the relevant resolutions at the Second EGM. For further details of the Loan Agreement and the existing indebtedness of the Group, please refer to the section headed “THE LOAN AGREEMENT AND THE USE OF ITS PROCEEDS” as contained in the circular of the Company dated 25 August 2020.

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

A circular containing, among other things, (i) information on the Supplemental Subscription Agreement; (ii) the Revised Specific Mandate; and (iii) a notice of the Second EGM and a form of proxy will be despatched to the Shareholders as soon as practicable.

**Shareholders and potential investors should note that Completion is subject to the fulfilment or waiver of conditions under the Revised Subscription Agreement, and may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## 6. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,631,603,838 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion; on the assumptions that (a) there will be no other change to the share capital of the Company between the date of this announcement until Completion, save for the issue of the Subscription Shares; and (b) the Subscriber does not and will not hold any additional Shares other than the Shares held on the date of this announcement and the Subscription Shares.

	As at the date of this announcement		Immediately after Completion	
	Number of Shares directly or indirectly held	Approximate percentage of the issued share capital of the Company (%)	Number of Shares directly or indirectly held	Approximate percentage of the issued share capital of the Company (%)
<b>Shareholders</b>				
Mr. Yu Jianqiu and Epoch Keen Limited ( <i>note 1</i> )	538,998,400	20.48%	538,998,400	16.58%
First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited ( <i>note 2</i> )	310,317,000	11.79%	310,317,000	9.55%
Mr. Kwong Wai Sun Wilson ( <i>note 3</i> )	3,272,600	0.12%	3,272,600	0.10%
Quaetus Capital Pte Ltd ( <i>note 4</i> )	280,312,902	10.65%	280,312,902	8.62%
Hammer Capital Private ( <i>note 5</i> )	153,828,000	5.85%	153,828,000	4.73%
China Huarong International Holdings Limited ( <i>note 6</i> )	90,881,295	3.45%	90,881,295	2.80%
Subscriber	75,980,000	2.89%	694,470,566	21.37%
<b>Public Shareholders</b>				
Other public shareholders	<u>1,178,013,641</u>	<u>44.77%</u>	<u>1,178,013,641</u>	<u>36.25%</u>
<b>Total</b>	<u><u>2,631,603,838</u></u>	<u><u>100.00%</u></u>	<u><u>3,250,094,404</u></u>	<u><u>100.00%</u></u>

*Notes:*

- (1) The shares are held by Mr. Yu Jianqiu, chairman and an executive Director of the Company, together with Epoch Keen Limited, a company wholly-owned by Mr. Yu Jianqiu.
- (2) First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited are companies wholly-owned by Mr. Huang Weiping, a Director.
- (3) Mr. Kwong Wai Sun Wilson is an executive Director.
- (4) Quaetus Capital Pte Ltd is 80% controlled by Kwek Steven Poh Song.
- (5) Each of Tsang Ling Kay Rodney and Cheung Siu Fai controls 50% of Hammer Capital Investments Limited.
- (6) The shares are held by China Huarong Asset Management Co., Ltd. through Huarong Real Estate Co., Ltd., Huarong Zhiyuan Investment & Management Co., Ltd. and China Huarong International Holdings Limited.

## **7. INFORMATION ON THE PARTIES**

### **Information on the Group**

The Group is a fast-growing manufacturer of recycled copper products (also known as copper semis), communication cables and power transmission and distribution cables in Southwest China. The Group processes recycled scrap copper and, to a lesser extent, electrolytic copper, to manufacture a range of copper products, including copper wire rods, copper wires, copper plates, copper granules, communication cables and power transmission and distribution cables. Since 2015, the Group has also extended its product range to aluminium products and has entered into trading activities in relation to electrolytic copper.

### **Information on the Subscriber**

The Subscriber is a wholly state-owned enterprise incorporated in the PRC, and its principal activities include property management services; investments in infrastructure facilities, key projects construction, advanced technology, energy, telecommunication, property development, hospitality and tourism projects; assets management and other corporate management services; sales of non-ferrous metals, copper products, aluminium products and power cables; transportation of goods, packaging services, cargo handling, storage services; logistics information consulting services.

The Subscriber's ultimate beneficial owner is the State Owned Assets Supervision and Administration Office of Youxian District Mianyang City\* (綿陽市遊仙區國有資產監督管理辦公室), and the Subscriber and its ultimate beneficial owner have been introduced to the Company in 2012 when the Group started investing in its manufacturing facilities in Youxian District of Mianyang City.

The Group has been selling copper products to the Subscriber since 2017, and the unaudited revenue generated by the Group from the Subscriber was approximately RMB80 million for the year 2019, and approximately RMB468 million for the eleven months ended 30 November 2020. In addition, other than the Loan Agreement, the Subscriber has provided the Group with certain short term loans, the following set forth the particulars:

<b>Period</b>	<b>Principal (RMB)</b>	<b>Interest expenses (RMB)</b>	<b>Outstanding principal amount as at the date of this announcement (RMB)</b>
2017–2018	55,000,000	4,340,000	—
2019–2020 (up to November 2020)	30,000,000	8,190,000	25,600,000

The Subscriber’s subsidiary also held approximately 2.89% of the existing issued share capital of the Company as at the date of this announcement.

Save as disclosed above, there are no further past or existing relationship (including financial, business or other) or transactions between the Subscriber (and its connected persons) and the Group.

Upon Completion of the Subscription, the Subscriber will become a substantial Shareholder of the Company, and any transactions subsisting as at the date of Completion shall become connected transactions or continuing connected transactions between the Group and the Subscriber. The Company shall comply with the requirements under Chapter 14A, including making necessary announcements promptly upon the completion of the Subscription.

As at the date of this announcement, the Company was still in negotiation with the Subscriber on arrangements after completion of the Subscription, but the Company understands from the Subscriber that, subject to the applicable laws, rules and regulations including the articles of association of the Company, it intends to nominate one to two directors to the board of the Company. Based on current discussions with the Subscriber, the Subscriber is currently expected to be a passive investor of the Company, but the Company does not rule out further strategic cooperation with the Subscriber. Whilst the Company will consider any constructive cooperation with the Subscriber, there is no concrete proposal with respect to such cooperation as at the date of this announcement.

## **8. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not carried out any capital fund raising activities, other than entering into of the Subscription Agreement as referred above and a subscription agreement as announced on 14 April 2020 (which did not proceed to completion), in the 12 months period immediately before the date of this announcement.

## DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 5 September 2020
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	China Metal Resources Utilization Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1636)
“Completion”	completion of the Subscription
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Directors”	the director(s) of the Company
“First EGM”	the extraordinary general meeting of the Company held on 15 September 2020
“General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the AGM to allot, issue and deal with Shares and to make or grant offers, agreements and options which may require Shares to be issued, allotted or dealt with, which is subject to the limit of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huarong”	China Huarong International Holdings Limited, a limited liability company incorporated under the laws of Hong Kong and a creditor of the Group
“Independent Third Party”	person(s) who is/are independent of the Company and its connected persons and their respective associates

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Agreement”	The loan agreement entered into between Mianyang Tongxin Copper Co., Ltd.* (綿陽銅鑫銅業有限公司) and the Subscriber dated 17 July 2020
“Long Stop Date”	the latest date for fulfilment of the conditions precedent of the Subscription Agreement and/or the Supplemental Subscription Agreement
“Original Specific Mandate”	the original specific mandate granted to the Directors by the resolution of the Shareholders passed at the First EGM held on 15 September 2020 to allot, issue and deal with the Subscription Shares at the Original Subscription Price
“Original Subscription Price”	HK\$0.53 per Subscription Share, as agreed in the Subscription Agreement
“Outstanding Liabilities”	The loan in the principal amount of RMB261,452,830 owed by Mianyang Tongxin Copper Co., Ltd.* (綿陽銅鑫銅業有限公司), a wholly owned subsidiary of the Group to the Subscriber under the Loan Agreement
“PRC”	the People’s Republic of China, excluding (except where the context requires) Hong Kong, Macau Special Administrative Region and Taiwan
“Revised Specific Mandate”	the revised specific mandate to allot, issue and deal with the Subscription Shares at the Revised Subscription Price to be proposed for approval as an ordinary resolution of the Shareholders at the Second EGM
“Revised Subscription Agreement”	The Subscription Agreement as amended and supplemented by the Supplemental Subscription Agreement
“Revised Subscription Price”	HK\$0.465 per Subscription Share, as adjusted and agreed in the Supplemental Subscription Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Second 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 Revised Specific Mandate; and (ii) the Supplemental Subscription Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mianyang Fule Investment Co., Ltd.* (綿陽富樂投資有限公司), a company incorporated in the PRC
“Subscription”	the subscription by the Subscriber of the Subscription Shares pursuant to the Subscription Agreement and the Supplemental Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 20 July 2020 between the Company and the Subscriber in respect of the Subscription
“Subscription Shares”	new Share(s) to be allotted and issued to the Subscriber pursuant to the Subscription Agreement and the Supplemental Subscription Agreement, comprising a total of 618,490,566 Shares;
“Supplemental Subscription Agreement”	the supplemental subscription agreement dated 4 January 2021 between the Company and the Subscriber to amend certain terms of the Subscription Agreement
“%”	per cent.

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

Hong Kong, 4 January 2021

*As at the date of this announcement, the Board comprises of four executive directors, namely, Mr. Yu Jianqiu (Chairman), Mr. Kwong Wai Sun Wilson, Mr. Huang Weiping and Ms. Zhu Yufen; and three independent non-executive directors, namely, Mr. Lee Ting Bun Denny, Mr. Pan Liansheng and Ms. Ren Ruxian.*

\* *For identification purpose*