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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)**

### **CONNECTED TRANSACTION ACQUISITION OF 25% EQUITY INTEREST IN SICHUAN JIN XUNHUAN E-COMMERCE TRADING CO., LTD.**

#### **THE EQUITY TRANSFER AGREEMENT**

On 25 October 2017, Fuqing Zhongjin, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Sichuan Xijiulong, pursuant to which Fuqing Zhongjin agreed to make a pre-IPO investment in JX E-commerce by acquiring from Xijiulong 25% equity interest in JX E-commerce for a cash consideration of RMB125,000,000.

#### **LISTING RULE IMPLICATIONS**

As Xijiulong is a company controlled by Ms. Yu Yanyan and Ms. Yu Jiajia, who are connected persons of the Company by virtue of them being the daughters and associates of Mr. Yu, Xijiulong is a connected person of the Company and the entering into of the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## THE EQUITY TRANSFER AGREEMENT

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### PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date	:	25 October 2017
Parties	:	(1) Purchaser: Fuqing Zhongjin (2) Seller: Xijiulong
Interests to be acquired	:	25% equity interest in JX E-commerce
Consideration	:	The consideration is RMB125,000,000 and shall be fully paid by Fujing Zhongjin in cash within 5 business days after JX E-commerce completing its change of business registration procedures reflecting the change in equity interest of JX E-commerce as contemplated under the Equity Transfer Agreement.

The consideration was determined by the parties on an arm's length basis and on normal commercial terms, and was determined with reference to the valuation of the entire equity value of JX E-commerce at RMB1,001,579,300 as at 30 June 2017 by Zhejiang Zhonglian Yaixin Asset Appraisal Co., Ltd. (浙江中聯耀信資產評估有限公司), a qualified independent third party valuer in the PRC.

It is expected that the consideration will be funded by internal cash resources of the Company.

Completion : Upon the signing of the Equity Transfer Agreement, both parties shall procure JX E-commerce to process the registration procedures and shall provide the necessary assistance and cooperation in relation to the relevant changes in equity interest. Completion shall take place upon completion of the industry and commerce registration with the relevant authority and JX E-commerce obtaining its new business licence reflecting the change in equity interest of JX E-commerce as contemplated under the Equity Transfer Agreement.

Put option : Fuqing Zhongjin is granted a put option by Xijiulong (“**Put Option**”), pursuant to which, if JX E-commerce fails to complete a Qualified IPO within 3 years of the date of Completion, Fuqing Zhongjin has the discretion to require Xijiulong to repurchase Fuqing Zhongjin’s equity interest in JX E-commerce at any time after the expiration of such 3-year period at the consideration of RMB125,000,000.

Xijiulong shall execute an equity transfer agreement with Fuqing Zhongjin within 5 business days of receiving the written notice of exercising the Put Option from Fuqing Zhongjin. Within 10 business days of signing such equity transfer agreement, Xijiulong shall use its best endeavors to handle any reasonable requests and inquiries raised by the relevant government authorities in respect of the equity transfer, to complete the change of business registration procedures and pay Fuqing Zhongjin in full the consideration for such transfer of equity interest arising from the exercise of the Put Option.

Xijiulong undertakes that, if Fuqing Zhongjin shall, for whatever reasons, including but not limited to the restructuring of JX E-commerce prior to a Qualified IPO, no longer directly holds the equity interest in JX E-commerce, or the equity interest in JX E-commerce has been transferred to the Company or any of its subsidiaries (“**New Shareholder**”), Xijiulong shall execute any documents as may be reasonably requested by Fuqing Zhongjin to grant a put option in favour of the New Shareholder on the same terms as the Put Option.

Undertaking : Within 3 months of the date of Completion, Xijiulong shall repay in full all its outstanding borrowings owing to JX E-commerce.

## INFORMATION OF JX E-COMMERCE

JX E-commerce is a company incorporated in the PRC and has a registered and paid up capital of RMB100,000,000. As at the date of this announcement, the equity interest in JX E-commerce is held as to 90% by Xijiulong and 10% by Baohe Fushan, an associated company of the Company. After Completion, Fuqing Zhongjin will hold 25% of the equity interest in JX E-commerce.

JX E-commerce is principally engaged in the operation of renewable metal electronic commerce platform in the PRC, which provides timely information on market supply and demand to companies engaging in the renewable resources industry in the PRC through release of information through its website and mobile services.

According to the audited financial statements of JX E-commerce prepared in accordance with the PRC Generally Accepted Accounting Principles, the net asset value of JX E-commerce as at 31 December 2016 was RMB92,910,000 and the audited net (loss)/profit of JX E-commerce for the two financial years ended 31 December 2016 were as follows:

	<b>For the year ended 31 December 2015 (RMB)</b>	<b>For the year ended 31 December 2016 (RMB)</b>
Net (loss)/profit before taxation	(5,470,000)	2,203,000
Net (loss)/profit after taxation	(5,470,000)	2,203,000

## INFORMATION OF XIJIULONG

Xijiulong is an investment holding company incorporated in the PRC which is 95% and 5% controlled by Ms. Yu Yanyan and Ms. Yu Jiajia respectively. Ms. Yu Yanyan and Ms. Yu Jiajia are daughters and associates of Mr. Yu, and are therefore connected persons of the Company.

## INFORMATION OF 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.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

As mentioned above, JX E-commerce is principally engaged in the operation of renewable metal electronic commerce platform, and the Group is principally engaged in the use and processing of recycled scrap copper to manufacture a range of copper products. As such, the Group expects that in respect of both the purchase and sales aspects of the Group, through JX E-commerce's platform, the acquisition will expand the Group's supplier and customer base to the entire PRC, and thereby increasing the sales and purchase, as well as reducing geographical limit on the operation of the Group. Transactions made through the platform may also shorten the Group's accounts receivable turnover days. The Transaction combines the Group's traditional production-oriented industry with the internet information industry and is expected to create a synergy effect. In addition, the Group may also enjoy potential capital gain should an initial public offering of JX E-commerce take place in the future on a major stock exchange.

## **LISTING RULE IMPLICATIONS**

As Xijiulong is a company controlled by Ms. Yu Yanyan and Ms. Yu Jiajia, who are connected persons of the Company by virtue of them being the daughters and associates of Mr. Yu, Xijiulong is a connected person of the Company and the entering into of the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the Transaction is on normal commercial terms and in the ordinary course of business of the Group, the terms are fair and reasonable and in the interests of the Company and shareholders of the Company as a whole.

Due to the interests of Ms. Yu Yanyan and Ms. Yu Jiajia in the Transaction, Mr. Yu has abstained from voting on the Board resolution approving the Equity Transfer Agreement and the Transaction. Other than Mr. Yu, no Director has a material interest in the Transaction and has abstained from voting on the relevant Board resolution.

## **DEFINITIONS**

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

“associate(s)” has the same meaning ascribed thereto under the Listing Rules

“Baohe Fushan”	Sichuan Baohe Fushan Resources Recycling Development Co., Ltd.* (四川省保和富山再生資源開發有限公司), a company incorporated in the PRC with limited liability and an associated company of the Company
“Board”	the board of Directors
“Company”	China Metal Resources Utilization Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1636)
“Completion”	completion of the Transaction
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the agreement dated 25 October 2017 entered into between Xijiulong and Fuqing Zhongjin for the acquisition of 25% equity interest in JX E-commerce, details of which are set out in the section headed “Principal Terms of the Equity Transfer Agreement” of this announcement
“Fuqing Zhongjin”	Fuqing Zhongjin Nonferrous Metal Materials Co., Ltd.* (福清中金有色金屬材料有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“JX E-commerce”	Sichuan Jin Xunhuan E-commerce Trading Co., Ltd.* (四川金循環電子商務有限公司), a company incorporated in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOFCOM”	the Ministry of Commerce of the PRC
“Mr. Yu”	Mr. Yu Jianqiu, the chairman and controlling shareholder of the Company

“PRC”	the People’s Republic of China, excluding for the purpose of this announcement Hong Kong, Macau Special Administrative Region and Taiwan
“Qualified IPO”	an initial public offering of shares of JX E-commerce and the listing of such shares on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, NASDAQ or the London Stock Exchange, pursuant to which the total market capitalisation of JX E-commerce shall be no less than RMB500 million or equivalent amount translated at the then prevailing exchange rate at the time of listing
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions contemplated under the Equity Transfer Agreement
“Xijiulong”	Sichuan Xijiulong Investment Co., Ltd.* (四川省西九龍投資有限公司), a company incorporated in the PRC with limited liability
“%”	per cent.

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

Hong Kong, 25 October 2017

*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*