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)

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF 25% EQUITY INTEREST IN JX E-COMMERCE BY EXERCISING THE PUT OPTION

BACKGROUND

Reference is made to the announcement of the Company dated 25 October 2017, in relation to the Equity Transfer Agreement, pursuant to which Fuqing Zhongjin, an indirect wholly-owned subsidiary of the Company, acquired the Relevant Interest in JX E-commerce from Sichuan Xijiulong.

Under the Equity Transfer Agreement, Sichuan Xijiulong also granted Fuqing Zhongjin the Put Option to require Sichuan Xijiulong to purchase back the Relevant Interest from Fuqing Zhongjin, if JX E-Commerce fails to complete a Qualified IPO within 3 years of the Completion Date, at any time after the expiration of such 3-year period, at the consideration of RMB125,000,000, which equals to the acquisition consideration of the Relevant Interest by Fuqing Zhongjin under the Equity Transfer Agreement.

As at 6 November 2020, on which 3 years have expired since the Completion Date, JX E-Commerce did not complete any Qualified IPO.

THE DISPOSAL

On 9 November 2020, the Board announces that the Repurchase Agreement was entered into between Fuqing Zhongjin and Sichuan Xijiulong, pursuant to which Fuqing Zhongjin conditionally agreed to sell and transfer, and Sichuan Xijiulong conditionally agreed to purchase the Relevant Interest at the consideration of RMB125,000,000 pursuant to the Put Option.

Completion is conditional upon obtaining the approval of the Independent Shareholders to the Repurchase Agreement and all transactions contemplated thereunder in compliance with the Listing Rules, and compliance with other requirements of the Listing Rules applicable to the Repurchase Agreement and all transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As Sichuan 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, Sichuan Xijiulong is a connected person of the Company and the entering into of the Repurchase Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Disposal exceeds 25%, the Repurchase Agreement and the transaction contemplated thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one of the applicable percentage ratios in respect of the Disposal exceeds 25% but is below 75%, the Disposal also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Repurchase Agreement and the transaction contemplated thereunder. At the EGM, any Shareholder with a material interest in the Repurchase Agreement and the transaction contemplated thereunder is required to abstain from voting on the resolution to be put forward to the Independent Shareholders for approving the Repurchase Agreement and the transactions contemplated thereunder. Mr. Yu and his associates will abstain from voting on such resolution at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, will be established to consider and advise the Independent Shareholders as to whether the terms of the Repurchase Agreement and the transaction contemplated thereunder are on normal commercial terms, fair and reasonable, in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

In this connection, an Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Repurchase Agreement and the transaction contemplated thereunder.

A circular containing, among others, (i) information on the Repurchase Agreement, (ii) the letter from the Independent Board Committee to the Independent Shareholders, (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and (iv) other information as is required to be contained in it under the Listing Rules, together with a notice of the EGM and a form of proxy, is expected to be despatched to the Shareholders on or before 31 December 2020 as additional time is required to prepare the information for inclusion in the circular.

1. BACKGROUND

Reference is made to the announcement of the Company dated 25 October 2017, in relation to the Equity Transfer Agreement, pursuant to which Fuqing Zhongjin, an indirect wholly-owned subsidiary of the Company, acquired the Relevant Interest in JX E-commerce from Sichuan Xijiulong.

Under the Equity Transfer Agreement, Sichuan Xijiulong also granted Fuqing Zhongjin the Put Option to require Sichuan Xijiulong to purchase back the Relevant Interest from Fuqing Zhongjin, if JX E-Commerce fails to complete a Qualified IPO within 3 years of the Completion Date, at any time after the expiration of such 3-year period, at the consideration of RMB125,000,000, which equals to the acquisition consideration of the Relevant Interest paid by Fuqing Zhongjin under the Equity Transfer Agreement.

As at 6 November 2020, on which 3 years have expired since the Completion Date, JX E-Commerce did not complete any Qualified IPO.

On 27 March 2020, Fuqing Zhongjin (as the borrower) and Sichuan Xijiulong (as the lender) entered into the Loan Agreement, pursuant to which Sichuan Xijiulong agreed to advance a loan in the amount of RMB125,000,000 in favour of Fuqing Zhongjin. It was further agreed in the Loan Agreement that if the JX E-Commerce fails to complete a Qualified IPO within 3 years of the Completion Date, the Consideration shall be satisfied by Sichuan Xijiulong waiving Fuqing Zhongjin its obligation to repay the principal amount of the Loan.

On 29 October 2020, Fuqing Zhongjin and Sichuan Xijiulong further entered into the Supplemental Loan Agreement pursuant to which Sichuan Xijiulong agreed to unconditionally waive the interest accrued thereunder the Loan Agreement. As Sichuan Xijiulong is a connected person of the Company, the entering into of the Loan Agreement and the Supplemental Loan Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules. However, as the Loan and the Waiver are not secured by any assets of the Group, and as the Directors consider that the Loan and the Waiver are on normal commercial terms or better, the Loan Agreement and the Supplemental Loan Agreements are fully-exempted from the reporting, announcement and Independent Shareholders' approval requirement pursuant to Rule 14A.90 Listing Rules.

2. THE DISPOSAL

On 9 November 2020, the Board announces that the Repurchase Agreement was entered into between Fuqing Zhongjin and Sichuan Xijiulong, pursuant to which Fuqing Zhongjin conditionally agreed to sell and transfer, and Sichuan Xijiulong conditionally agreed to purchase the Relevant Interest at the consideration of RMB125,000,000 pursuant to the Put Option.

The principal terms of the Repurchase Agreement are as follows:

Date:

9 November 2020

Parties:

(1) Fuqing Zhongjin, an indirect wholly owned subsidiary of the Company (as the seller and transferor); and

(2) Sichuan Xijiulong (as the buyer and transferee).

Assets to be disposed of:

The Relevant Interest of 25% equity interest in JX E-commerce, together with all rights, including but not limited to rights to receive any and all undistributed profits and surplus reserves in accordance with law, administrative regulations and articles of association.

Consideration:

The Consideration payable by Sichuan Xijiulong shall be RMB125,000,000, which equals to the acquisition consideration of the Relevant Interest paid by Fuqing Zhongjin under the Equity Transfer Agreement. The Consideration shall be satisfied by Sichuan Xijiulong waiving Fuqing Zhongjin its obligation to repay the principal amount of the Loan.

The Consideration was agreed at the time of entering into the Equity Transfer Agreement after arm's length negotiations between Sichuan Xijiulong and Fuqing Zhongjin, having taken into consideration of various factors, including but not limited 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 Yaoxin 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.

Conditions precedent:

The Completion is conditional upon the satisfaction of all the following conditions:

(i) both parties having completed their respective internal approval procedures (such as approval by the board of directors or the shareholders) for the repurchase of the Relevant Interest;

(ii) other shareholders of JX E-commerce having agreed in writing to waive the pre-emption right to purchase the Relevant Interest;

(iii) the Company having obtained all required consent and approval for the transactions contemplated under the Repurchase Agreement, 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 Repurchase Agreement; and

(iv) JX E-commerce and both parties having completed all the approvals or filing procedures required by the government regulatory authorities for the repurchase of the Relevant Interest (where required).

Completion:

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.

3. INFORMATION ON THE PARTIES INVOLVED IN THE DISPOSAL

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 25% by Fuqing Zhongjin, 55% by Sichuan Xijiulong and 8% by Baohe Fushan, an associated company of the Company. After Completion, Fuqing Zhongjin will no longer hold 25% 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 consolidated financial statements of JX E-commerce prepared in accordance with the PRC Accounting Standards for Business Enterprises, the net asset value of JX E-commerce as at 31 December 2019 was RMB92,194,000 and the audited net (loss)/profit of JX E-commerce for the two financial years ended 31 December 2018 and 31 December 2019 respectively were as follows:

	For the year ended 31 December 2018 *(RMB)*	**For the year ended 31 December 2019** *(RMB)*
Net (loss)/profit before taxation	177,000	91,000
Net (loss)/profit after taxation	82,000	32,000

Note: The above financial data are rounded to the nearest thousand.

Information of Sichuan Xijiulong

Sichuan 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.

4. FINANCIAL EFFECTS OF THE DISPOSAL

The Directors do not expect to recognize any net gain/loss from the Disposal. Shareholders should note that the actual amount of gain/loss on the Disposal to be recorded by the Company (if any) will be subject to review by the auditors of the Company.

5. REASONS FOR AND BENEFIT OF THE DISPOSAL

As JX E-commerce fails to complete any Qualified IPO within 3 years of the Completion Date, the Directors are of the view that entering into the Repurchase Agreement represents the exercise of the right to protect the investment of the Group and to improve the cash position of the Company The Directors are also of the view that the transaction contemplated under the Repurchase Agreement are on normal commercial terms that are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

6. LISTING RULES IMPLICATIONS

As Sichuan 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, Sichuan Xijiulong is a connected person of the Company and the entering into of the Repurchase Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Disposal exceeds 25%, the Repurchase Agreement and the transaction contemplated thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one of the applicable percentage ratios in respect of the Disposal exceeds 25% but is below 75%, the Disposal also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Repurchase Agreement and the transaction contemplated thereunder. At the EGM, any Shareholder with a material interest in the Repurchase Agreement and the transaction contemplated thereunder is required to abstain from voting on the resolution to be put forward to the Independent Shareholders for approving the Repurchase Agreement and the transactions contemplated thereunder. Mr. Yu and his associates will abstain from voting on such resolution at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, will be established to consider and advise the Independent Shareholders as to whether the terms of the Repurchase Agreement and the transaction contemplated thereunder are on normal commercial terms, fair and reasonable, in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

In this connection, an Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Repurchase Agreement and the transaction contemplated thereunder.

A circular containing, among others, (i) information on the Repurchase Agreement, (ii) the letter from the Independent Board Committee to the Independent Shareholders, (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and (iv) other information as is required to be contained in it under the Listing Rules, together with a notice of the EGM and a form of proxy, is expected to be despatched to the Shareholders on or before 31 December 2020, as additional time is required to prepare the information for inclusion in the circular.

DEFINITIONS

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

"associate(s)"	has the same meaning ascribed to it 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 Repurchase Agreement
"Completion Date"	6 November 2017
"connected person"	has the same meaning ascribed to it under the Listing Rules
"Consideration"	RMB125,000,000, being the consideration to be paid by Sichuan Xijiulong to Fuqing Zhongjin for the Relevant Interest
"Directors"	the directors of the Company
"Disposal"	pursuant to the Put Option and as a result of the Company's exercising thereof, the disposal of the Relevant Interest by Fuqing Zhongjin to Sichuan Xijiulong on the terms and subject to the conditions set out in the Repurchase Agreement
"EGM"	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Repurchase Agreement and the transaction contemplated thereunder
"Equity Transfer Agreement"	the agreement dated 25 October 2017 entered into between Sichuan Xijiulong and Fuqing Zhongjin for the acquisition of the Relevant Interest, details of which were set out in the announcement of the Company dated 25 October 2017

"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 from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent board Committee"	an independent committee of the Board, which will comprise of Mr. Lee Ting Bun Denny, Mr. Pan Liansheng and Ms. Ren Ruxian, being all the independent non-executive Directors
"Independent Financial Adviser"	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the independent Shareholders in respect of the Repurchase Agreement and the transaction contemplated thereunder
"Independent Shareholders"	Shareholders who do not have a material interest in the Repurchase Agreement and the transaction contemplated thereunder
"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 Hong Kong Stock Exchange
"Loan"	the loan granted to Fuqing Zhongjin by Sichuan Xijiulong in a principal amount of RMB125,000,000 under the Loan Agreement
"Loan Agreement"	the agreement in relation to the Loan entered into between Fuqing Zhongjin and Sichuan Xijiulong on 27 March 2020
"Mr. Yu"	Mr. Yu Jianqiu, the chairman and substantial shareholder of the Company
"Put Option"	the put option granted to Fuqing Zhongjin to require Sichuan Xijiulong to repurchase the Relevant Interest
"PRC"	the People's Republic of China, excluding for the purpose of this announcement Hong Kong, Macau Special Administrative Region and Taiwan

"PRC Accounting Standards for Business Enterprises"	Accounting Standards for Business Enterprises (企業會計準則), as promulgated or amended by the Ministry of Finance of the PRC from time to time
"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
"Relevant Interest"	the 25% equity interest in JX E-commerce, which Fuqing Zhongjin acquired from Sichuan Xijiulong pursuant to the Equity Transfer Agreement
"Repurchase Agreement"	the repurchase agreement dated 9 November 2020 entered into between Fuqing Zhongjin and Sichuan Xijiulong in relation to the Disposal
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholders"	the shareholder(s) of the Company
"Sichuan 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
"substantial shareholder"	has the same meaning ascribed to it under the Listing Rules
"Supplemental Loan Agreement"	the agreement in relation to the Waiver entered into between Fuqing Zhongjin and Sichuan Xijiulong on 29 October 2020
"Waiver"	the waiver granted by Sichuan Xijiulong to Fuqing Zhongjin to unconditionally waive the interest accrued thereunder the Loan Agreement
"%"	per cent

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

Hong Kong, 9 November 2020

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*