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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)**

### **CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2022 DELIVERY SERVICES AGREEMENT**

#### **THE 2022 DELIVERY SERVICES AGREEMENT**

Reference is made to the announcement of the Company dated 30 December 2019. The 2020 Delivery Services Agreement has expired on 31 December 2021, the Board announces that on 28 January 2022 (after trading hours), the Company and MJXFSL entered into the 2022 Delivery Services Agreement, pursuant to which MJXFSL agreed to renew and provide to the Group delivery services for a period of two years commencing from 1 January 2022.

#### **LISTING RULES IMPLICATION**

As at the date of this announcement, MJXFSL is indirectly controlled by Ms. Yu Yanyan and Ms. Yu Jiajia, daughters of Mr. Yu Jianqiu, the chairman and executive Director of the Company. MJXFSL is therefore a connected person of the Company. Accordingly, the entering into of the 2022 Delivery Services Agreement and the transactions contemplated under the 2022 Delivery Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) in respect of the Annual Cap for the 2022 Delivery Services Agreement is more than 0.1% but less than 5%, the 2022 Delivery Services Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **2022 DELIVERY SERVICES AGREEMENT**

Reference is made to the announcement of the Company dated 30 December 2019 in relation to the 2020 Delivery Services Agreement entered into between the Company and MJXFSL for the provision of delivery services to the Group for a term of 24 months ending 31 December 2021. In view of the 2020 Delivery Services Agreement has expired on 31 December 2021, the Directors consider that it is in the interest of the Group to continue such delivery services and to enter into the 2022 Delivery Services Agreement with MJXFSL in order to engage its services upon successful tender(s) for a term of two years, the details of which are set out below:

### **Date**

28 January 2022 (after trading hours)

### **Parties**

1. The Company, as customer
2. MJXFSL, as service provider

### **Term**

The term of the 2022 Delivery Services Agreement is for a period of two years from 1 January 2022 to 31 December 2023.

### **Subject matter**

MJXFSL agreed to provide delivery services to the Group in respect of the products sold by the Group to its customers.

### **Service fee and basis of the fee**

The 2022 Delivery Services Agreement serves as a framework agreement between the Group and MJXFSL pursuant to which MJXFSL has agreed to deliver products for the Group at, depending on the distance between the collection and delivery locations, RMB28 to RMB680 per ton during the term of the 2022 Delivery Services Agreement. The actual volume of products to be delivered will be based on the sales order received by the Group.

To ensure that the terms offered by MJXFSL are fair, reasonable and no less favourable than those provided by the independent third parties to the Group, the Company has gone through a public tender and compared the price offered by each of the tenderers for the delivery services and noted that the price offered by each of the independent service providers is higher than that offered by MJXFSL. As such, the Company has decided to renew the agreement with MJXFSL.

## Terms of payment

Payment will be made on a monthly basis.

## Historical transactions with MJXFSL

The historical transaction amounts with MJXFSL pursuant to the 2020 Delivery Services Agreement and the individual delivery contracts between the Company's subsidiaries and MJXFSL are set out below:

<b>For the year ended 31 December 2019</b> (audited)	<b>For the year ended 31 December 2020</b> (audited)	<b>For the year ended 31 December 2021</b> (unaudited)
RMB12,357,000	RMB10,398,000	RMB7,013,000

## Annual Cap for the 2022 Delivery Services Agreement

For the purpose of complying with Chapter 14A of the Listing Rules, the Company has estimated that the annual fees payable by the Company to MJXFSL for the delivery services during the term of the 2022 Delivery Services Agreement shall not exceed RMB23 million for each calendar year. As such, the Annual Cap for the 2022 Delivery Services Agreement are as follows:

<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
RMB23 million	RMB23 million

In determining the above Annual Cap, the Company had considered the forecasted sales volume and delivery services demand in the coming two years. With the entering into of the 2020 Delivery Services Agreement and 2022 Delivery Services Agreement and as an attempt for the Group to centralise and manage its logistics arrangement, MJXFSL has become one of the Group's major delivery service providers, and the Group shall continue utilising more of MJXFSL's delivery services during the term of the 2022 Delivery Services Agreement compared to the previous years.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Company has gone through the public tender in accordance with which MJXFSL was selected as a service provider for the delivery services for the two years ending 31 December 2023. On the basis that the price offered by MJXFSL being the lowest amongst the tenderers, the terms offered by MJXFSL are no less favourable than those provided by independent third parties to the Group. The transactions under the 2022 Delivery Services Agreement are also subject to the annual review of the audit committee, the independent non-executive Directors, and the external auditors of the Company as the Company's internal control measures to monitor its continuing connected transactions.

Through continuing the engagement with MJXFSL as the Group's major delivery service provider, MJXFSL can provide stable and steady delivery services to the Group. During the term of the 2020 Delivery Services Agreement, MJXFSL has assisted the Group in better managing its logistics arrangements.

Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the 2022 Delivery Services Agreement, including the Annual Cap, are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **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.

### **MJXFSL**

MJXFSL is a company incorporated in the PRC and is principally engaged in providing delivery services. It is wholly-owned by JX E-commerce, an entity of which the equity interest is 80% owned by Sichuan Xiujiulong, 8% by Baohe Fushan, an associated company of the Company. The remaining equity interest of JX E-commerce is held as to 5% by Shenzhen Drill Horse Enterprise Management Consulting Co., Ltd.\* (深圳鈷馬企業管理諮詢有限公司), 5% by Shenzhen Juhelu Supply Chain Management Co., Ltd.\* (深圳聚合祿供應鏈管理有限公司) and 2% by Mianyang Yixin Investment Co., Ltd.\* (綿陽意鑫投資有限公司), all of which are independent third parties of the Company.

## **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.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, MJXFSL is indirectly controlled by Ms. Yu Yanyan and Ms. Yu Jiajia, daughters of Mr. Yu Jianqiu, the chairman and executive Director of the Company. MJXFSL is therefore a connected person of the Company. Accordingly, the entering into of the 2022 Delivery Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) in respect of the Annual Cap for the 2022 Delivery Services Agreement is more than 0.1% but less than 5%, the 2022 Delivery Services Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Yu Jianqiu has a material interest in the 2022 Delivery Services Agreement, he has abstained from voting on the resolutions of the Board in respect of the approval of the 2022 Delivery Services Agreement.

## **DEFINITIONS**

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

“2020 Delivery Services Agreement”	the agreement dated 30 December 2019 entered into between the Company and MJXFSL in relation to the delivery services
“2022 Delivery Services Agreement”	the agreement dated 28 January 2022 entered into between the Company and MJXFSL in relation to the delivery services
“Annual Cap”	the maximum annual fees payable by the Group to MJXFSL under the 2022 Delivery Services Agreement
“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 (中國金屬資源利用有限公司), 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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“MJXFSL”	Mianyang Jin Xunhuan Finance Storage Limited (綿陽金循環金融倉儲有限公司), a company incorporated in the PRC
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of Shares
“Shares”	ordinary shares of HK\$0.1 each in the share capital 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

\* *The English translation of the names is for reference only. The official names of these companies are in Chinese.*

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

Hong Kong, 28 January 2022

*As at the date of this announcement, the Board comprises 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.*