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CHINA CLOUD COPPER COMPANY LIMITED

中國雲銅股份有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 33)

DISCLOSEABLE AND CONNECTED TRANSACTION — DISPOSAL OF SUBSIDIARY AND OTHER RECEIVABLES

THE DISPOSAL

The Board wishes to announce that on 30 June 2020 (after trading hours of the Stock Exchange), the Vendors (both of which being subsidiaries of the Company) and the Purchaser entered into the Disposal Agreement pursuant to which the Vendors agreed to sell, and the Purchaser agreed to purchase, the Disposal Interests for a total consideration of HK\$8,750,000, which shall be settled by offsetting the Convertible Bonds.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the consideration for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Further, as at the date of the Disposal Agreement, 60.9% of the equity interest of the Purchaser is owned by Mr. Li Xiaopeng, who is a director of the Disposal Company (being a wholly owned subsidiary of the Company) and hence the Purchaser is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) the Purchaser is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the Disposal is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

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THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are as follows:

Date

30 June 2020 (after trading hours of the Stock Exchange)

Parties

- (1) The Vendors; and
- (2) The Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Disposal Agreement, (i) the Purchaser is a company established in the People's Republic of China with limited liability and is principally engaged in provision of security and property management services; and (ii) 60.9% equity interest of the Purchaser is owned by Mr. Li Xiaopeng, who is a director of the Disposal Company (being a wholly owned subsidiary of the Company) and hence the Purchaser is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules; and (iii) the remaining 34% and 5.1% of the equity interest of the Purchaser is held by Mr. Li Junhao (李俊豪) and Mr. Xie Weixian (謝維憲) respectively.

The First Vendor is a wholly owned subsidiary of the Company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

The Second Vendor is a 99%-owned subsidiary of the Company established in the People's Republic of China with limited liability and is principally engaged in investment holding.

Subject matter

The Disposal Interests comprise of (i) the entire issued share capital of the Disposal Company; and (ii) the Other Receivables. Prior to the entering into of the Disposal Agreement, the entire issued share capital of the Disposal Company and Other Receivables are legally and beneficially owned by the First Vendor and the Second Vendor respectively.

The Disposal Company is a limited liability company incorporated in Hong Kong. It is principally engaged in the provision of security services. Set forth below are the financial information of the Disposal Company for the years ended 31 December 2018 and 31 December 2019 prepared in accordance with the Hong Kong Financial Reporting Standard:

	Year ended 31 December 2018	Year ended 31 December 2019
	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit/(loss) before taxation	3,358	(5,797)
Net profit/(loss) after taxation	2,896	(6,063)

The Other Receivables are other receivables of the Second Vendor in the amount of RMB5,000,000. Further details of the origin of the Other Receivables are set out in the section headed “Reasons for and benefits of the Disposal” below.

Completion

Completion is subject to the satisfaction of the following conditions precedent:

- (i) the Vendors and the Disposal Company having respectively obtained all consent and approval necessary for the Disposal Agreement and the transactions contemplated thereunder; and
- (ii) the Purchaser having obtained all consent and approval necessary for the Disposal Agreement and the transactions contemplated thereunder.

The conditions above cannot be waived by any party in any event. If any of the above conditions are not fulfilled on or before the Long Stop Date, the Disposal Agreement shall terminate, no party shall have any claim in relation to the Disposal Agreement (without prejudice to the rights of any party in respect of antecedent breaches).

Upon Completion, the Disposal Company will cease to be a subsidiary of the Company. The Purchaser will take over the Disposal Company carrying its debts and liabilities as at and after Completion.

Consideration

The consideration for the Disposal amounts to HK\$8,750,000, which shall be paid by the Purchaser to the Vendors by procuring Hongkong Dewe Security Services Co., Limited (香港德威保安服務有限公司), being a company incorporated in Hong Kong and wholly owned by the Purchaser and together with the Purchaser, the joint holders of the Convertible Bonds, to surrender the Convertible Bonds to the Company jointly with the Purchaser for cancellation.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in securities brokerage and asset management, advancing business, credit guarantee and investment business, trading of party products and metals and minerals, trading of security products and provision of security services.

Reference is made to the announcements of the Company dated 5 December 2018 and 17 December 2018 in relation to the acquisition (the “**Acquisition**”) of (i) the entire issued share capital of the Disposal Company; and (ii) 51% equity interest in 德威可信(北京)科技有限公司 (Dewe Kexin (Beijing) Technology Co., Ltd.*) (“**Dewe Kexin**”) (the “**Acquired Group**”) at the total consideration of HK\$70,000,000 and the announcement of the Company dated 27 August 2019 in relation to the determination of the profit guarantee for the financial year ended 31 December 2018. On 17 December 2018, the Company issued convertible bonds in the principal amount of HK\$70,000,000 as consideration for the Acquisition, where the Convertible Bonds form a part thereof.

As disclosed in the announcement of the Company dated 30 June 2020, (i) a share pledge (the “**Share Pledge**”) over 51% equity interest in Dewe Kexin created in favour of Suzhou Xinyuanqi by the Second Vendor was registered on 14 January 2020 as security for a loan agreement dated 3 December 2019 (the “**Loan Agreement**”) entered into between the Second Vendor (as borrower) and Suzhou Xinyuanqi (as lender) for a loan in the principal amount of RMB5,000,000. The Share Pledge was subsequently enforced on 17 February 2020. As a result, Dewe Kexin ceased to be a subsidiary of the Group (the “**Dewe Deconsolidation**”); (ii) the profit guarantee for the financial year ended 31 December 2019 of the Acquired Group is considered unfulfilled (the “**2019 Profit Guarantee**”); and (iii) the profit guarantee for the financial year ending 31 December 2020 of the Acquired Group was terminated (the “**2020 Profit Guarantee**”).

Subsequent to the Dewe Deconsolidation, the current management of the Group discovered that the loan in the principal amount of RMB5,000,000 was not deposited in any of the Group’s bank accounts, giving rise to the Other Receivables in the accounts of the Second Vendor.

Against the above background, the reasons for and benefits of the transactions as contemplated under the Disposal Agreement are set out as follows:

- (i) The Company is cautious about the future financial performance of the Disposal Company since the trading of security products and provision of security services business has demonstrated an overall downward trend. The Acquired Group reported a net loss after taxation of approximately HK\$3,373,000 for the financial year ended 31 December 2019, representing a complete non-fulfillment of the 2019 Profit Guarantee. Based on the management accounts of the Disposal Company for the first five months of 2020, the Disposal Company has not reported any profits and its financial performance continues to deteriorate under the prolonged effect of the COVID-19 pandemic outbreak. Based on the above, the Board anticipates that the financial performance of the Disposal Company will not improve in the foreseeable future and may incur higher loss as compared to last year.
- (ii) Due to the lack of prospect for the Disposal Company to turnaround for profit in the near future, there is no reasonable chance for the Group to be able to derive profit from the Disposal Company. The Board intends to concentrate its resources in the development of other profitable business segments and believes that the interest of the Company is best served by streamlining the non-performing businesses and assets of the Group including the Disposal Company. Although no actual proceeds in cash will be generated by the Disposal, the financial position of the Group will be improved by the disposal of the Disposal Company which is the most time efficient and cost effective way to cut loss.
- (iii) The assignment of the Other Receivables to the Purchaser can save the Group's resources as well as shifting the burden to the Purchaser in recovering the Other Receivables and enables the Group to concentrate its resources in other areas of business development.
- (iv) According to the terms and conditions of the bond instrument, the Convertible Bonds will be mandatorily converted into shares of the Company upon maturity if they are not redeemed by the Company. The settlement of the consideration under the Disposal Agreement by way of surrendering the Convertible Bonds by the Purchaser to the Company for cancellation will avoid dilution effect to the Shareholders upon maturity of the Convertible Bonds.

The net asset value of the Disposal Company is assessed to be approximately HK\$2,800,000 as at 31 December 2019, which when taken together with the fair value of the Other Receivables of approximately HK\$5,400,000 as at 31 December 2019, the aggregate unaudited carrying value of the Disposal Interests was assessed to be approximately HK\$8,200,000 as at 31 December 2019. The consideration for the Disposal was determined after arm's length negotiation between the Vendors and the Purchaser with reference to the aggregate carrying value of the Disposal Interests as at 31 December 2019.

As a result of (i) the derecognition of the liability component of the Convertible Bonds of approximately HK\$6,610,000; and (ii) the estimation of the carrying value of the Disposal Interests of approximately HK\$8,200,000, the Board currently expects to record an unaudited loss on disposal of approximately HK\$1,590,000. However there would also be a credit to the retained earnings (transferred from the convertible bonds reserves as a result of

the derecognition of the equity component of the Convertible Bonds) of approximately HK\$3,050,000. Taken together, the Board currently expects to record an increase in the retained earnings of the Group in the amount of approximately HK\$1,460,000. The Company has yet to complete the preparation of the audited consolidated financial statements of the Group for the financial year ended 31 December 2019. If after review by the Company's auditors it is considered that any adjustment is required to the current estimation of the carrying amount of the Disposal Interests, the financial impact of the Disposal will be adjusted and reflected accordingly in the consolidated financial statements of the Group for the financial year ending 31 December 2020.

In light of the reasons for the Disposal as stated above and the expected increase in the retained earnings of the Group as a result of the Disposal, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Disposal (including the consideration) are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the Disposal will not cause any material adverse impact to the business, operations and financial position of the Group. None of the Directors are required to be abstained from voting on the relevant resolutions of the Board in respect of the Disposal Agreement and the transactions contemplated thereunder.

USE OF PROCEEDS FROM DISPOSAL

As the consideration for the Disposal will be settled by way of offsetting the Convertible Bonds, no proceeds in cash will be generated from the Disposal. In addition, given the loss-making position of the Group for the financial year ended 31 December 2019, no retained earnings of the Group will be available for distribution despite the increase of approximately HK\$1,460,000 in retained earnings of the Group resulting from the Disposal.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the consideration for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Further, as at the date of the Disposal Agreement, the 60.9% equity interest of the Purchaser is owned by Mr. Li Xiaopeng, who is a director of the Disposal Company (being a wholly owned subsidiary of the Company) and hence the Purchaser is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) the Purchaser is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the Disposal is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the

Disposal is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings given to them as below:

“Board”	the board of Directors
“Company”	China Cloud Copper Company Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange with stock code: 33
“Completion”	the completion of the Disposal
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	convertible bonds issued by the Company in the principal amount of HK\$8,750,000 to Hongkong Dewe Security Services Co., Limited (香港德威保安服務有限公司) and the Purchaser for the acquisition disclosed in the announcement of the Company dated 5 December 2018
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Disposal Interests by the Vendors to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement entered into between the Vendors and the Purchaser on 30 June 2020 in relation to the Disposal
“Disposal Company”	International Security Net Co., Limited (國際安全網有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Disposal Interests”	comprising of (i) the entire issued share capitals of the Disposal Company; and (ii) the Other Receivables
“First Vendor”	B&R Security International Company Limited (一帶一路安保國際有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“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 PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2020 or such other dates as agreed by the Vendors and the Purchaser from time to time
“Other Receivables”	the other receivables arising from the Loan Agreement in the amount of RMB5,000,000, being the other receivables on the accounts of the Second Vendor
“Second Vendor”	Asia Investment Huijin (Beijing) Assets Management Co., Ltd.* (亞投匯金(北京)資產管理有限公司), a company established in the People’s Republic of China with limited liability and a 99% owned subsidiary of the Company
“Suzhou Xinyuanqi”	Suzhou Xinyuanqi Network Information Co., Ltd.* (蘇州鑫元啟網絡信息有限公司), a company established in the People’s Republic of China with limited liability
“Purchaser”	Beijing Dewe Security Services Co., Limited* (北京德威保安服務有限公司), a company established in the People’s Republic of China with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	The First Vendor and the Second Vendor

By order of the Board
China Cloud Copper Company Limited
Tsang King Sun
Company Secretary

Hong Kong, 30 June 2020

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Ng Yu, Mr. Wei Weicheng, Mr. Chan Chi Ming, Mr. Lin Feng and Ms. Zhao Hong Mei; one non-executive Director, namely Mr. Huang Shao Long; and three independent non-executive Directors, namely Mr. Anthony Espina, Mr. Wang Jun Sheng and Mr. Lo Hang Fong.

* For identification purpose only