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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)**

### **(I) NON-FULFILLMENT OF THE 2019 PROFIT GUARANTEE; AND (II) TERMINATION OF THE 2020 PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF TWO SUBSIDIARIES**

Reference is made to the announcements (the “**Announcements**”) of China Cloud Copper Company Limited (the “**Company**”, which together with its subsidiaries, the “**Group**”) dated 5 December 2018 and 17 December 2018 in relation to the acquisition (the “**Acquisition**”) of (i) the entire issued share capital of International Security Net Co., Limited (國際安全網有限公司) (“**International Security Net**”); 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**”) at the total consideration of HK\$70 million 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 million (the “**Convertible Bonds**”) as consideration for the Acquisition. Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the Announcements.

#### **THE DEWE DECONSOLIDATION**

A share pledge (the “**Share Pledge**”) over 51% equity interest in Dewe Kexin created in favour of 蘇州鑫元啟網絡信息有限公司 (Suzhou Xinyuanqi Network Information Co., Ltd.\*) (“**Suzhou Xinyuanqi**”) by 亞投匯金(北京)資產管理有限公司 (Asia Investment Huijin (Beijing) Assets Management Company Limited\*) (“**Asia Investment**”), a subsidiary of the Company, was registered on 14 January 2020 as security for a loan agreement dated 3 December 2019 entered into between Asia Investment and Suzhou Xinyuanqi 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**”).

As a result of the Dewe Deconsolidation, (i) the external auditor of the Company (the “**Auditor**”) cannot obtain sufficient and appropriate audit evidence of Dexin Kexin for the determination of the profit guarantee of International Security Net and Dewe Kexin (the “**Assessment Group**”) for the financial year ended 31 December 2019 (the “**2019 Profit Guarantee**”) as stipulated under the Agreement; and (ii) the profit guarantee for the financial year ending 31 December 2020 (the “**2020 Profit Guarantee**”) as stipulated under the Agreement cannot be executed.

## **THE NON-FULFILLMENT OF THE 2019 PROFIT GUARANTEE**

On 30 June 2020, the parties to the Agreement entered into a supplemental deed (the “**Deed**”), pursuant to which the parties thereto irrevocably acknowledged and agreed to the followings:

- (i) to determine the 2019 Profit Guarantee based on the audited financial statements of the Assessment Group for the year ended 31 December 2019 with a limitation on the scope of audit expressed by the Auditors (the “**Assessment Accounts**”) and waive any right of claim in relation thereto; and
- (ii) based on the Assessment Accounts, the Assessment Group recorded a net loss for the financial year ended 31 December 2019, representing a complete non-fulfillment of the 2019 Profit Guarantee.

Pursuant to the Deed, the Vendors further agreed to (i) pay to the Purchaser compensation in the amount of HK\$26,250,000 (the “**Compensation**”) as a result of non-fulfillment of the 2019 Profit Guarantee pursuant to the terms of the Agreement; and (ii) settle the Compensation by way of surrendering the Convertible Bonds in the principal amount of HK\$26,250,000 to the Company for cancellation pursuant to the terms and conditions of the Agreement.

The Directors (including the independent non-executive Directors) are of the view that the above arrangement is fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole since (i) the Compensation represents the maximum amount of compensation that the Purchaser can possibly be entitled to in relation to the 2019 Profit Guarantee; and (ii) the Vendors have waived any right of claim in relation to the Assessment Accounts and agreed to the Compensation.

## **THE TERMINATION OF THE 2020 PROFIT GUARANTEE**

Pursuant to the Deed, the parties thereto also irrevocably agreed to amend the Agreement to the effect that the 2020 Profit Guarantee be terminated. Due to the termination of the 2020 Profit Guarantee, the Vendors also agreed to surrender the Convertible Bonds in the principal amount of HK\$35,000,000 to the Company for cancellation (the “**2020 CB Cancellation**”).

The Directors (including the independent non-executive Directors) are of the view that the termination of the 2020 Profit Guarantee are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole since (i) the 2020 Profit Guarantee cannot be executed in any event due to the Dewe Deconsolidation; and (ii) the Vendors agreed to surrender the Convertible Bonds in the principal amount of

HK\$35,000,000, which is equivalent to the maximum amount of compensation that the Purchaser is entitled under the Agreement if the 2020 Profit Guarantee cannot be fulfilled and therefore the 2020 CB Cancellation can avoid the Vendors being unjustly enriched at the cost of the Company following the termination of the 2020 Profit Guarantee.

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*