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CHINA METAL RESOURCES UTILIZATION LIMITED

中國金屬資源利用有限公司

(a company incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1636)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Revenue increased by 175.5% to RMB4,933.6 million, as compared to 2015.
- Gross profit margin amounted to 0.9%, as compared to the gross loss margin of 7.8% for last year.
- Loss attributable to the equity shareholders of the Company for the year amounted to RMB310.8 million, as compared to the loss attributable to the shareholders of the Company of RMB499.0 million for last year.
- Loss per share for the year amounted to RMB0.14, as compared to the loss per share of RMB0.24 for last year.
- Current ratio of 1.0 as at 31 December 2016, as compared to 1.1 as at 31 December 2015.
- Debt to equity ratio of 113.7% as at 31 December 2016, as compared to 126.0% as at 31 December 2015.
- The Board does not recommend the declaration of any final dividend for the year ended 31 December 2016.

RESULTS

The board (the “Board”) of directors (the “Directors”) of China Metal Resources Utilization Limited (the “Company”) is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	3	4,933,625	1,790,750
Cost of sales		<u>(4,890,742)</u>	<u>(1,930,181)</u>
Gross profit/(loss)		42,883	(139,431)
Other revenue	5(a)	179,144	136,968
Other net loss	5(b)	(227,276)	(254,923)
Selling and distribution expenses		(20,280)	(8,223)
Administrative expenses		<u>(158,937)</u>	<u>(161,141)</u>
Loss from operations		(184,466)	(426,750)
Finance costs	6(a)	<u>(134,045)</u>	<u>(113,671)</u>
Loss before taxation	6	(318,511)	(540,421)
Income tax	7	<u>6,893</u>	<u>37,285</u>
Loss for the year		<u>(311,618)</u>	<u>(503,136)</u>
Attributable to:			
Equity shareholders of the Company		(310,820)	(499,045)
Non-controlling interests		<u>(798)</u>	<u>(4,091)</u>
Loss for the year		<u>(311,618)</u>	<u>(503,136)</u>
Loss per share	8		
Basic (RMB)		<u>(0.14)</u>	<u>(0.24)</u>
Diluted (RMB)		<u>(0.14)</u>	<u>(0.24)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2016

(Expressed in Renminbi)

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Loss for the year	(311,618)	(503,136)
Other comprehensive income for the year		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of non-PRC entities	<u>(17,468)</u>	<u>(13,280)</u>
Total comprehensive income for the year	<u>(329,086)</u>	<u>(516,416)</u>
Attributable to:		
Equity shareholders of the Company	(328,288)	(512,325)
Non-controlling interests	<u>(798)</u>	<u>(4,091)</u>
Total comprehensive income for the year	<u>(329,086)</u>	<u>(516,416)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

(Expressed in Renminbi)

	<i>Note</i>	2016 RMB'000	2015 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	<i>10</i>	594,070	584,429
Lease prepayments		97,794	99,916
Interest in associates	<i>11</i>	37,435	135,957
Goodwill		23,227	23,227
Pledged deposits		4,800	5,320
Other non-current assets		23,922	26,424
Deferred tax assets		61,638	37,749
		842,886	913,022
Current assets			
Inventories	<i>12</i>	208,200	249,002
Trade and other receivables	<i>13</i>	1,001,927	1,033,039
Amounts due from associates		496	458
Amounts due from related parties		4,899	3,345
Pledged deposits		55,926	53,886
Cash and cash equivalents		164,142	82,559
		1,435,590	1,422,289
Current liabilities			
Trade and other payables	<i>14</i>	386,529	474,799
Obligations under finance leases		13,322	15,192
Bank loans and other borrowings		681,536	661,510
Amounts due to associates		5,150	6,520
Amounts due to related parties		764	6,098
Loan from a related party		–	83,780
Liability component of convertible bonds		211,810	–
Derivative component of convertible bonds		133,344	–
Current taxation		19,645	9,662
		1,452,100	1,257,561
Net current (liabilities)/assets		(16,510)	164,728
Total assets less current liabilities		826,376	1,077,750

	<i>Note</i>	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Obligations under finance leases		11,336	23,090
Liability component of convertible bonds		–	166,488
Derivative component of convertible bonds		–	130,989
Deferred government grants		7,332	3,000
		<u>18,668</u>	<u>323,567</u>
NET ASSETS		<u>807,708</u>	<u>754,183</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	182,579	166,075
Reserves		625,129	578,913
Total equity attributable to equity shareholders of the Company		807,708	744,988
Non-controlling interests		–	9,195
TOTAL EQUITY		<u>807,708</u>	<u>754,183</u>

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

China Metal Resources Utilization Limited (“the Company”) was incorporated in the Cayman Islands on 22 February 2013. The Company and its subsidiaries (together referred to as “the Group”) are principally engaged in the manufacturing, sales and trading of copper, aluminium and related products. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) since 21 February 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The annual results set out in the announcement do not constitute the Group’s financial statements for the year ended 31 December 2016, but are extracted from those financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IAS”) and Interpretations issued by the International Accounting Standards Board (“IASB”). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The IASB has issued a number of new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. There have been no significant changes to the accounting policies applied in the financial statements for the years presented as a result of these developments. The Group has not applied any new or revised standard or interpretation that is not yet effective for the current accounting period.

(b) Basis of preparation of the financial statements

The Group incurred a net loss of RMB311,618,000 for the year ended 31 December 2016 and, as of that date, the Group’s current liabilities exceeded its current assets by RMB16,510,000. As at 31 December 2016, the Group had cash and cash equivalents of RMB164,142,000 and pledged deposits of RMB55,926,000. As at that date, the Group had convertible bonds with the principal amount of USD32,610,000 (equivalent to approximately RMB226,216,000) that would mature on 13 April 2017 and overdue entrusted loans of RMB299,116,000. The overdue entrusted loans of RMB299,116,000 constituted a cross breach of loan covenants of other interest bearing borrowings totalled RMB289,450,000, comprising entrusted loans of RMB129,450,000 and other bank loans of RMB160,000,000, all of which are recorded as current liabilities. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The Directors have made an assessment on the liquidity position of the Group as to whether the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, certain measure have been and are being taken to manage its liquidity needs and to improve the liquidity position which include the following:

- i. the Group is actively discussing with the convertible bonds holder to transfer 50% of the principal sum of the convertible bonds into loan; and to convert the remaining 50% of the principal sum of the convertible bonds to ordinary shares of the Company;
- ii. as announced in the Group’s announcement dated 24 November 2016, the Group is in negotiation with an investor in relation to a possible subscription for convertible bonds with a principal amount of HKD200 million. The negotiation is still in progress as at the date of this announcement.

- iii. the entrusting party of the entrusted loans of RMB299,116,000 has confirmed that the entrusted loans would not be repayable because the entrusting party is in negotiation with the Group on a debt equity arrangement to transfer the debt of one of the Group's subsidiaries, Mianyang Tongxin Copper Co., Ltd. into equity interest of the Company; and
- iv. the Group maintains a strong relationship with its bankers and entrusting party. None of the Group's bankers have demanded the Group for early loan repayment. Subsequent to 31 December 2016, the Group is able to refinance the borrowings when they fell due through its existing bankers. In addition, the entrusting party of the entrusted loans of RMB129,450,000 as at 31 December 2016 has confirmed to waive the Group's obligations arising from the breach of loan covenants.

The Directors are satisfied that if the above measures are successful the Group will be able to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2016 on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for derivative financial instruments that are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The figures in respect of this announcement of the Group's results for the year ended 31 December 2016 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE

The principal activities of the Group are manufacturing and sales of copper and related products, sales of aluminium products, and provision of contract manufacturing services in the PRC.

Revenue represents the sales value of goods sold to customers less returns, discounts, and value added taxes and other sales tax, and contract manufacturing income which is analysed as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Sales from trading of electrolytic copper (<i>Note</i>)	3,522,236	584,108
Sales of recycled copper products	1,367,891	1,078,879
Sales of power transmission and distribution cables	3,099	70,616
Sales of communication cables	35,832	29,398
Sales of scrap materials	447	15,755
Sales of aluminium products	3,055	10,834
Contract manufacturing income	1,065	1,160
	<u>4,933,625</u>	<u>1,790,750</u>

Note: The Group has entered into trading activities of electrolytic copper beginning in 2015 whereas the Group is considered the principal of the transactions as it controls the electrolytic copper before they are sold to the customers. The gross inflows of the trading activities are therefore recognised as revenue.

Two customers (2015: two customers) of the Group represents more than 10% of the Group's total revenue for the year ended 31 December 2016. For the year ended 31 December 2016, the revenue from these two major customers (2015: two major customers) amounted to RMB1,544,892,000 (2015: RMB738,862,000).

4 SEGMENT REPORTING

The Group manages its businesses by business operations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments, namely recycled copper products segment, power transmission and distribution cables segment, communication cables segment and aluminium products segment as at 31 December 2016.

- (i) Recycled copper products segment: use of scrap copper and electrolytic copper for the manufacturing of recycled copper products;
- (ii) Power transmission and distribution cables segment: manufacturing sales of power transmission and distribution cables;
- (iii) Communication cables segment: manufacturing and sales of communication cables; and
- (iv) Aluminium products segment: sales of aluminium products.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment loss is “loss after taxation”. To arrive at reportable segment loss, the Group’s loss is further adjusted for items not specially attributed to individual segments, such as head office or corporate administrative costs.

A measurement of segment assets and liabilities is not provided regularly to the Group’s most senior executive management and accordingly, no segment assets or liabilities information is presented.

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2016 and 2015 is set out below:

	2016				
	Recycled copper products RMB'000	Power transmission and distribution cables RMB'000	Communication cables RMB'000	Aluminium products RMB'000	Total RMB'000
Revenue from external customers	4,891,639	3,099	35,832	3,055	4,933,625
Inter-segment revenue	<u>10,942</u>	<u>222</u>	<u>–</u>	<u>–</u>	<u>11,164</u>
Reportable segment revenue	<u>4,902,581</u>	<u>3,321</u>	<u>35,832</u>	<u>3,055</u>	<u>4,944,789</u>
Reportable segment loss	<u>(59,629)</u>	<u>(49,814)</u>	<u>(732)</u>	<u>(484)</u>	<u>(110,659)</u>
Interest income	22,558	12	273	–	22,843
Finance costs	64,123	2,616	1,876	–	68,615
Depreciation and amortisation for the year	24,433	8,322	3,292	86	36,133
VAT refunds, government grants and subsidies	141,245	13,155	1,791	–	156,191
Impairment loss of trade debtors and bills receivable	102,932	48,821	1,375	–	153,128

	2015				
	Recycled copper products <i>RMB'000</i>	Power transmission and distribution cables <i>RMB'000</i>	Communication cables <i>RMB'000</i>	Aluminium products <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	1,679,878	70,616	29,422	10,834	1,790,750
Inter-segment revenue	137,478	441	726	–	138,645
Reportable segment revenue	1,817,356	71,057	30,148	10,834	1,929,395
Reportable segment (loss)/profit	(296,031)	(18,506)	(26,873)	101	(341,309)
Interest income	716	146	405	–	1,267
Finance costs	65,346	4,181	2,537	1	72,065
Depreciation and amortisation for the year	29,921	10,654	2,364	15	42,954
VAT refunds, government grants and subsidies	134,728	666	298	–	135,692
Impairment loss of goodwill	16,081	–	–	–	16,081
Impairment loss of property, plant and equipment	54,313	–	–	–	54,313
Impairment loss of trade debtors and bills receivable	80,374	14,907	17,549	–	112,830
Warrant expenses	12,079	–	–	–	12,079

(b) Reconciliations of reportable segment revenue and profit or loss

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Revenue		
Reportable segment revenue	4,944,789	1,929,395
Elimination of inter-segment revenue	(11,164)	(138,645)
Consolidated revenue (<i>see note 3</i>)	4,933,625	1,790,750
Loss		
Reportable segment loss derived from the Group's external customers	(110,659)	(341,309)
Unallocated head office and corporate expenses	(202,752)	(162,855)
Share of profit of associates	1,793	1,028
Consolidated loss for the year	(311,618)	(503,136)

(c) **Geographic information**

The Group carried out its business operations in the PRC, thus no separate geographical segment analysis based on the location of assets and the revenue and (loss)/profit are presented.

5 OTHER REVENUE AND OTHER NET LOSS

(a) **Other revenue**

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
VAT refunds		
— Comprehensive utilisation of resources (<i>note (i)</i>)	40,098	96,681
Government grants (<i>note (ii)</i>)	48,576	20,141
Government subsidies (<i>note (iii)</i>)	67,517	18,870
Interest income	22,953	1,276
	<u>179,144</u>	<u>136,968</u>

- (i) The Group is entitled to government grants for refunds of 30% for the year ended 31 December 2016 of the net VAT paid/payable.

The Ministry of Finance and the State Administration of Taxation jointly issued a notice concerning the “Catalogue on Products and Labour Services relating to Comprehensive Utilisation of Resources Eligible for Concessions of Value-added Tax” (Cai Shui [2015] (No. 78)) (the “New VAT Policy”) on 12 June 2015, which replaced, amongst others, Cai Shui [2011] No. 115 (the “Former VAT Policy”). Under the Former VAT Policy, certain subsidiaries of the Company are entitled to government grants for refunds of 50% of the net VAT paid/payable. The New VAT Policy took effect on 1 July 2015. According to the New VAT Policy, the applicable VAT refund for such subsidiaries are reduced from 50% to 30%

- (ii) The amounts represent local government grants received by operating subsidiaries of the Group in the PRC for the purpose of providing immediate financial support to those subsidiaries for general operating use with no future related costs. No specific conditions are required to meet in connection with the grants.
- (iii) In 2016, the Group was granted unconditional government subsidies of RMB67,517,000 (2015: RMB18,870,000) from Youxian District Finance Bureau, Mianyang City, Sichuan Province. The subsidies were received through Sichuan Baohe Fushan Resources Recycling Development Co., Ltd. (“Baohe Fushan”), an associate of the Group. Baohe Fushan is principally engaged in the operation and the development of an industrial park in Mianyang City, Sichuan Province, where most of the Group’s subsidiaries are located.

(b) Other net loss

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss)/gain on copper futures contracts upon settlement	(28)	6,111
Net foreign exchange loss	(9,190)	(34)
Net loss on sale of property, plant and equipment	(22)	(116)
Change in fair value of derivative component of convertible bonds	6,633	(77,091)
Impairment loss of goodwill	–	(16,081)
Impairment loss of property, plant and equipment	–	(54,313)
Impairment loss of interest in an associate	(100,315)	–
Share of profit of associates	1,793	1,028
Reversal of provision for bad debts	28,574	–
Impairment loss of trade debtors and bills receivable	(153,128)	(112,830)
Others	(1,593)	(1,597)
	<u>(227,276)</u>	<u>(254,923)</u>

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
(a) Finance costs		
Interest on bank loans and other borrowings	59,669	67,431
Finance charges on obligation under finance lease	2,362	3,460
Interest on loans from related parties	4,790	68
Interest on convertible bonds	60,639	35,114
Guarantee fees and other charges	6,585	7,598
	<u>134,045</u>	<u>113,671</u>
(b) Staff costs		
Salaries, wages and other benefits	35,908	41,295
Contributions to defined contribution retirement schemes	2,918	6,280
Share-based payment expenses	37,406	31,874
	<u>76,232</u>	<u>79,449</u>

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authorities whereby the subsidiaries are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries for the year. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

	2016 RMB'000	2015 <i>RMB'000</i>
(c) Other items		
Cost of inventories (<i>Note</i>)	4,890,742	1,930,181
Depreciation of property, plant and equipment	34,011	37,340
Amortisation of lease prepayments	2,122	1,958
Amortisation of intangible assets	–	3,656
Group auditor's remuneration		
— Audit services	2,150	2,000
— Review and other services	934	937
Local statutory auditor's remuneration		
— Audit services	268	211
Research and development costs	1,221	1,637
	<u>1,221</u>	<u>1,637</u>

Note: Cost of inventories includes RMB16,914,000 (2015: RMB20,101,000) relating to staff costs, depreciation and amortisation, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses, and nil (2015: RMB12,079,000) relating to warrant expense, which is also included in the respective amount disclosed above or in note 4(a).

7 INCOME TAX

	2016 RMB'000	2015 <i>RMB'000</i>
Current tax — PRC Corporate Income Tax		
Provision for the year	15,897	218
Adjustment for prior year	1,099	945
	<u>16,996</u>	<u>1,163</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(23,889)</u>	<u>(38,448)</u>
	<u>(6,893)</u>	<u>(37,285)</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision has been made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the current and prior years. The payment of dividends by Hong Kong incorporated subsidiaries are not subject to any Hong Kong withholding tax.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders of the Company of RMB310,820,000 (2015: loss of RMB499,045,000) and the weighted average number of ordinary shares in issue during the year.

	2016	2015
Loss attributable to equity shareholders of the Company (<i>RMB'000</i>)	<u>(310,820)</u>	<u>(499,045)</u>
Issued ordinary shares at 1 January	2,105,145,600	2,105,145,600
Effect of issue of new shares	50,532,787	–
Effect of exercise of share option	<u>10,645,902</u>	<u>–</u>
Weighted average number of ordinary shares in issue	<u>2,166,324,289</u>	<u>2,105,145,600</u>
Basic loss per share (<i>RMB</i>)	<u>(0.14)</u>	<u>(0.24)</u>

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB310,820,000 (2015: loss of RMB499,045,000) and the adjusted weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted loss per share is the same as basic loss per share for both years as all potentially dilutive potential ordinary shares were anti-dilutive.

9 DIVIDENDS

The board of director does not recommend the payment of dividend for the year ended 31 December 2016 and 2015.

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Dividend in respect of prior years during the year	<u>–</u>	<u>49,892</u>

10 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and Disposals

During the year ended 31 December 2016, the Group's additions to property, plant and equipment amounted to RMB43,674,000 (2015: RMB116,503,000). No material disposal of property, plant and equipment was made during the years ended 31 December 2016 and 2015.

(b) All of the Group's property, plant and equipment are located in the PRC. At 31 December 2016, property, plant and equipment with net book value of RMB202,891,000 (2015: RMB214,270,000) were pledged for certain banking facilities granted to the Group.

- (c) During 2015, due to operating loss in the Group's business, the Group tested related cash generating units ("CGUs") for impairment. An impairment loss of RMB54,313,000 was recognised in "other net loss" for property, plant and equipment in CGU Mianyang Jinxin Copper Co., Ltd ("Jinxin"). Considering Jinxin has suspended its production activities since September 2015, and there was no market price of similar assets, its value-in-use and the fair value less cost of disposal is nil. Thus, the carrying amount of Jinxin's property, plant and equipment was written down to its recoverable amount of nil.
- (d) The Group leases production plant and machinery under finance lease expiring from 3 to 5 years. At the end of the lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

At 31 December 2016, the remaining lease periods varied from 1 month to 24 months and the net book value of plant and equipment under finance leases included in property, plant and equipment amounted to RMB49,286,000 (2015: RMB55,575,000).

11 INTEREST IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Interest in associates		
Share of net assets	37,435	35,642
Goodwill	100,315	100,315
Less: impairment loss (<i>Note</i>)	(100,315)	–
	<u>37,435</u>	<u>135,957</u>

Note: The Group considered that there is impairment indicator for the interest in an associate, Baohe Fushan, as the business performance of the associate was below expectation. The Group therefore assessed the recoverable amounts of the interest in associates and as a result, the carrying amount was written down to its recoverable amount of RMB37,435,000. An impairment loss of RMB100,315,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2016.

Particulars of the associates are as follows:

Name of associate	Particulars of registered share capital/issued and paid in capital	Place of incorporation and business	Proportion of ownership interest attributable to the Group		Principal activities
			Direct	Indirect	
Deda Holdings Limited	Issued and paid in capital of USD1,000	BVI	30%	–	Investment holding
Hongkong Fujian Investments Limited	Issued and paid in capital of HK\$1.0	Hong Kong	–	30%	Investment holding
Sichuan Baohe Fushan Resources Recycling Development Co., Ltd.	Registered capital of RMB100 million	The PRC	–	30%	Industrial park operation and development

Summarised financial information of the material associate, adjusted for fair value adjustments at acquisition and differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Baohe Fushan	
	2016	2015
	RMB'000	RMB'000
Non-current assets	180,848	192,529
Current assets	53,989	81,217
Non-current liabilities	(89,630)	(120,680)
Current liabilities	(20,384)	(34,242)
	<u>124,823</u>	<u>118,824</u>
Net assets (100%)		
Group's share of net assets (30%)	37,447	35,647
Goodwill	–	100,315
	<u>37,447</u>	<u>135,962</u>
Carrying amount of interest in associate		
Revenue* (100%)	–	1,980
Profit* (100%)	5,999	3,442
Other comprehensive income* (100%)	–	–
Total comprehensive income* (100%)	5,999	3,442
	<u>1,800</u>	<u>1,033</u>
Total comprehensive income* (30%)		
Elimination of unrealised profit on downstream sales	–	–
	<u>1,800</u>	<u>1,033</u>
Group's share of total comprehensive income		

* For the year ended 31 December 2016 and the period from 23 April 2015 to 31 December 2015.

Aggregate information of associates that are not individually material:

	2016	2015
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated carrying amount of interest in associates	(12)	(5)
Aggregate amounts of the group's share of those associates' loss from continuing operations Other comprehensive income	(7)	(16)

12 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Raw materials	93,892	40,742
Work in progress	16,272	14,798
Finished goods	80,571	71,314
Goods in transit	17,465	122,148
	<u>208,200</u>	<u>249,002</u>

At 31 December 2016, inventories of RMB29,000,000 (2015: RMB53,063,000) were pledged for banking facilities granted to the Group.

(b) The analysis of the amount of inventories recognised as an expense and included in the profit or loss is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Carrying amount of inventories sold	4,885,454	1,887,716
Write down of inventories	5,288	42,465
	<u>4,890,742</u>	<u>1,930,181</u>

13 TRADE AND OTHER RECEIVABLES

(a)

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade debtors and bills receivable	499,114	565,742
Less: Allowance for impairment loss	(237,384)	(112,830)
	<u>261,730</u>	<u>452,912</u>
Advance payments to suppliers	605,450	402,531
Government grants receivable	67,141	111,055
Other deposits, prepayments and receivables	67,606	66,541
	<u>1,001,927</u>	<u>1,033,039</u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(b) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for impairment loss, is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 30 days	113,056	64,139
31 to 60 days	64,698	4,931
61 to 180 days	53,732	39,752
Over 180 days	30,244	344,090
	<u>261,730</u>	<u>452,912</u>

Trade debtors and bills receivable are normally due within 90 days from the date of billing.

14 TRADE AND OTHER PAYABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables	48,969	15,176
Bills payable	41,800	45,800
Receipts in advance	15,397	41,299
Accrued expenses and other payables	280,363	372,524
	<u>386,529</u>	<u>474,799</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or repayable on demand.

(a) Bills payable are normally issued with a maturity of not more than six months. At 31 December 2016, bills payable were secured by pledged deposits of RMB20,900,000 (2015: RMB22,900,000).

(b) At the end of the reporting period, the ageing analysis of the trade and bills payable, based on transaction date, is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 30 days	6,955	2,846
31 to 60 days	78,799	52,948
61 to 180 days	1,447	1,335
Over 180 days	3,568	3,847
	<u>90,769</u>	<u>60,976</u>

15 SHARE CAPITAL

Authorised and Issued Share Capital

	Par value HK\$	No. of shares	HK\$'000
Authorised:			
At 31 December 2015, 1 January 2016 and 31 December 2016	0.10	<u>100,000,000,000</u>	<u>10,000,000</u>
		(equivalent to RMB8,071,000,000)	
	No. of shares	HK\$'000	RMB'000
Issued and fully paid:			
At 1 January 2015 and 31 December 2015	<u>2,105,145,600</u>	<u>210,514</u>	<u>166,075</u>
At 1 January 2016	2,105,145,600	210,514	166,075
Shares issued as at 17 August 2016	135,000,000	13,500	11,500
Shares issued under share option scheme	<u>57,300,000</u>	<u>5,730</u>	<u>5,004</u>
At 31 December 2016	<u>2,297,445,600</u>	<u>229,744</u>	<u>182,579</u>

- (i) On 17 August 2016, 135,000,000 ordinary shares of HK\$0.1 were issued at a price of HK\$2.58 per share by the Company to Hong Kong Zhong Liang Recycling Mining Investments Limited (香港中涼再生礦冶投資有限公司). The total gross proceeds from the issue of these shares amounted to HK\$348,300,000 (equivalent to RMB299,960,000). Proceeds of HK\$13,500,000 (equivalent to RMB11,500,000), representing the par value of the share issued, were credited to the Company's share capital. The remaining proceeds of HK\$337,439,000 (equivalent to RMB288,460,000) were credited to the share premium account.
- (ii) On 25 October 2016, options were exercised to subscribe for 57,300,000 ordinary shares in the Company at a consideration of RMB56,545,000, in which RMB5,004,000 and RMB51,541,000 were credited to share capital and share premium respectively. RMB17,855,000 was transferred from share based compensation reserve to share premium.

16 NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2016:

Exercise of share option

On 23 January 2017, share options were exercised to subscribe for 4,500,000 ordinary shares in the Company at a consideration of RMB8,592,000, in which RMB398,000 and RMB8,194,000 were credited to share capital and share premium respectively.

EXTRACT OF INDEPENDENT AUDITORS'S REPORT

The following is the extract of the Independent Auditor's Report from the external auditors of the Company, KPMG:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 2(b) to the consolidated financial statements, which discloses that the Group incurred a net loss of RMB311,618,000 for the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by RMB16,510,000. Note 2(b) also discloses that the Group had convertible bonds with principal amount of USD32,610,000 that would mature on 13 April 2017 and overdue entrusted loans of RMB299,116,000 which constituted cross breach of other interest bearing borrowings. As stated in Note 2(b), these conditions indicate existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In the second half of 2016, despite the recovery in China's economy which was mainly fueled by the buoyant property market, the copper market was still unleashing its stockpiles accumulated in previous years. Furthermore, the weakened liquidity of our customers resulted in several cases of overdue trades balances and consequently we had to reduce sales to certain of our customers in order to minimise credit risks. In order to tackle such situation, the Group took measure to improve its liquidity by increasing the scale of copper products trading activities. As a result of such strategy, the Group recorded an increase in sales volume of copper products in 2016, which translated into an increase in turnover by 175.5% as compared with that of 2015.

In August 2016, the Company completed the issuance of 135,000,000 new shares to a strategic business partner. The net proceeds of such new issuance amounted to approximately RMB300 million. Furthermore, the Company has been selected by Hang Seng Indexes Company Limited as a constituent of the following indexes, with effect from 14 March 2016: (1) Hang Seng Global Composite Index; (2) Hang Seng Composite Index; (3) Hang Seng Composite Industry Index — Materials; (4) Hang Seng Composite MidCap & SmallCap Index; and (5) Hang Seng Composite SmallCap Index.

Future prospects/outlook

China's gross domestic product in 2016 grew by 6.7% from a year earlier. The growth rate decelerated as compared with 6.9% in 2015 and was the slowest in 26 years. The Chinese government has warned that China's economic growth trend is likely to be flat at least for the next year or two. It is therefore expected that the current weak market environment is unlikely to improve significantly in the short term. Under such situation and expected trend, we will be operating cautiously in order to minimize business risks.

Whilst demand for recycled copper and aluminium products is expected to remain sluggish and market liquidity continue to be tight, we are cautiously hopeful that the recent recovery in the China housing market will soon translate to improvements in demand of basic materials like copper and aluminium which will help improve our business. Meanwhile, we will be preserving our financial strength so that we will be able to take full advantage of any improvements in the market environment to strengthen our business and increase profitability. We shall also continue to seek suitable acquisition opportunities which are more likely to arise under the current market situation.

Financial review

Revenue

Our revenue represents the fair value of consideration received or receivable for sales of goods and services in the ordinary course of business. Revenue is shown net-of-VAT and other taxes, returns and discounts after eliminating sales within our Group.

	2016	2015
	RMB'000	RMB'000
Sales from trading of electrolytic copper (<i>Note</i>)	3,522,236	584,108
Sales of recycled copper products	1,367,891	1,078,879
Sales of power transmission and distribution cables	3,099	70,616
Sales of communication cables	35,832	29,398
Sales of scrap materials	447	15,755
Sales of aluminium products	3,055	10,834
Contract manufacturing income	1,065	1,160
	<u>4,933,625</u>	<u>1,790,750</u>

Note: The Group has entered into trading activities of electrolytic copper beginning in 2015 whereas the Group is considered the principal of the transactions as it controls the electrolytic copper before they are sold to the customers. The gross inflows of the trading activities are therefore recognised as revenue.

Revenue for the year ended 31 December 2016 amounted to RMB4,933.6 million, representing an increase of 175.5% from RMB1,790.8 million for the year ended 31 December 2015. The increase in sales volume was principally from the increase in trading of electrolytic copper, such sales had a shorter turnover days and hence lower risk from fluctuation of copper price.

Revenue from recycled copper products amounted to RMB1,367.9 million for the year ended 31 December 2016, representing a slight increase of 26.8% from RMB1,078.9 million for the year ended 31 December 2015. It was mainly an increase of 38.4% in the sales volume of recycled copper products from 29,113 metric tons for the year ended 31 December 2015 to 40,282 metric tons for the year ended 31 December 2016, with a decrease of 8.4% in average selling price from RMB37,060 per ton for the year ended 31 December 2015 to RMB33,960 per ton for the year ended 31 December 2016.

Revenue from sales of power transmission and distribution cables amounted to RMB3.1 million for the year ended 31 December 2016, mainly representing a decrease of 95.6% from RMB70.6 million for the year ended 31 December 2015, this reflected a decrease of 95.8% in sales volume from 1,795 metric tons for the year ended 31 December 2015 to 75 metric tons for the year ended 31 December 2016.

Revenue from sales of communication cables amounted to RMB35.8 million for the year ended 31 December 2016, representing an increase of 21.9% from RMB29.4 million for the year ended 31 December 2015. This increase was a result of an increase of 2.6% in sales volume from 1,400 metric tons for the year ended 31 December 2015 to 1,437 metric tons for the year ended 31 December 2016, and an increase of 18.7% in average selling price of RMB20,994 per metric ton for the year ended 31 December 2015 to RMB24,930 per metric ton for the year ended 31 December 2016. The increase in the average selling price was primarily caused by changes in product mix.

Cost of sales

Cost of sales for the year ended 31 December 2016 totaled RMB4,890.7 million, representing an increase of 153.4% from RMB1,930.2 million for the year ended 31 December 2015. The increase was mainly due to the increase in sales from trading of electrolytic copper in 2016 amounted to RMB2,938.1 million compared with that in 2015.

Direct materials cost continue to be the largest component of the Company's cost of sales, accounting for over 95.0% the total cost of sales for the years ended 31 December 2015 and 2016.

Our gross profit was RMB42.9 million for the year ended 31 December 2016, as compared to a gross loss of RMB139.4 million for the year ended 31 December 2015. Our gross profit margin for the year ended 31 December 2016 was 0.9%, as compared to a gross loss margin of 7.8% for the year ended 31 December 2015. The improvement in gross margin was mainly due to the significant increase in sales from trading of electrolytic copper, the gross margin of which was targeted to be positive in a short period of trading cycle.

Other revenue

Other revenue increased to RMB179.1 million for the year ended 31 December 2016 from RMB137.0 million for the year ended 31 December 2015. The increase was mainly due to the increase in government subsidies and increase in interest income derived from the advances to suppliers.

Other net loss

Our other net loss for the year ended 31 December 2016 was RMB227.3 million as compared to a net loss of RMB254.9 million for the year ended 31 December 2015. Our other net loss for the year ended 31 December 2016 mainly comprised an impairment loss of investment in associates amounting to RMB100.3 million, and a net impairment loss of trade debtors amounting to RMB124.6 million (a further impairment loss of RMB153.1 million netting of a reversal of RMB28.5 million). Our other net loss for the year ended 31 December 2015 mainly comprised an impairment loss of trade debtors amounting to RMB112.8 million, an impairment loss of property, plant and equipment of RMB54.3 million, an increase in fair value of derivative component of convertible bonds of RMB77.1 million and an impairment loss of goodwill of 16.1 million.

Selling and distribution expenses

Our selling and distribution expenses for the year ended 31 December 2016 were RMB20.3 million, representing an increase of 146.6% from RMB8.2 million for the year ended 31 December 2015. The increase was primarily due to the service fees of RMB7.2 million in relation to the sales to Sichuan Changhong Electric Co., Ltd. under a yearly sales contract in 2016.

Administrative expenses

Our administrative expenses for the year ended 31 December 2016 were RMB158.9 million, representing a decrease of 1.4% from RMB161.1 million for the year ended 31 December 2015. The decrease was primarily due to a decrease in professional fee.

Finance costs

Our finance costs for the year ended 31 December 2016 were RMB134.0 million, representing an increase of 17.9% from RMB113.7 million for the year ended 31 December 2015. The increase was primarily due to an increase in the interest on convertible bonds. The liability component of convertible bonds is subsequently carried at amortised cost that increases over time by the amount of effective interest, net of coupon interest paid. The interest charge recognised in profit or loss on the liability component is calculated using the effective interest rate on the amortised cost of the liability component, as such, the interest charge recognised thereof also increases over time during the life of the convertible bonds.

Capital structure

As at 31 December 2016, the capital structure of the Group mainly consisted of shareholders' equity, bank and other borrowings and finance leases and convertible bonds. There is no material seasonality of borrowing requirements for the Group.

On 17 August 2016, pursuant to the adjustment provisions of the conversion price as stated in the terms and conditions of the convertible bonds, the conversion price of HK\$1.40 per ordinary share has been adjusted to HK\$1.39 per ordinary share as a result of the issue of the 135,000,000 ordinary shares. All other terms of the convertible bonds remain unchanged. The adjustment has become effective as of 17 August 2016, being the date on which the 135,000,000 ordinary shares were issued.

The following table sets forth the interest rate profile of the Group's interest-bearing borrowings at the dates indicated:

	As at 31 December 2016		As at 31 December 2015	
	Weighted average effective interest rate %	Amount RMB'000	Weighted average effective interest rate %	Amount RMB'000
Fixed rate borrowings:				
Bank loans and other borrowings	8.72	681,536	9.40	661,510
Obligations under finance leases	6.67	24,658	6.88	38,282
Liability component of convertible bonds	34.35	211,810	34.35	166,488
Loan from a related party	–	–	5.00	83,780
Total fixed rate borrowings		<u>918,004</u>		<u>950,060</u>

The following table sets forth the maturity profile of the Group's interest-bearing borrowings at the dates indicated:

	As at 31 December 2016				
	Bank and other borrowings RMB'000	Obligations under finance lease RMB'000	Liability component of convertible bonds RMB'000	Loan from a related party RMB'000	Total RMB'000
Within one year or repayable on demand	681,536	13,322	211,810	–	906,668
After one year but within two years	–	11,336	–	–	11,336
After two year but within five years	–	–	–	–	–
More than five years	–	–	–	–	–
	<u>681,536</u>	<u>24,658</u>	<u>211,810</u>	<u>–</u>	<u>918,004</u>

	As at 31 December 2015				
	Bank and other borrowings	Obligations under finance lease	Liability component of convertible bonds	Loan from a related party	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year or repayable on demand	661,510	15,192	–	83,780	760,482
After one year but within two years	–	12,462	166,488	–	178,950
After two year but within five years	–	10,628	–	–	10,628
More than five years	–	–	–	–	–
	<u>661,510</u>	<u>38,282</u>	<u>166,488</u>	<u>83,780</u>	<u>950,060</u>

On 17 August 2016, 135,000,000 ordinary shares of HK\$0.1 were issued at a price of HK\$2.58 per share by the Group to Hong Kong Zhong Liang Recycling Mining Investments Limited (香港中涼再生礦冶投資有限公司). The total gross proceeds from the issue of these shares amounted to HK\$348,300,000 (equivalent to RMB299,960,000). Proceeds of HK\$13,500,000 (equivalent to RMB11,500,000), representing the par value of the share issued, were credited to the Company's share capital. The remaining proceeds of HK\$337,439,000 (equivalent to RMB288,460,000) were credited to the share premium account.

On 25 October 2016, share options were exercised to subscribe for 57,300,000 ordinary shares in the Company at a consideration of RMB56,545,000, in which RMB5,004,000 and RMB51,541,000 were credited to share capital and share premium respectively. RMB17,855,000 was transferred from share based compensation reserve to share premium account.

Liquidity and financial resources

As at 31 December 2016, the Group's cash and cash equivalents (excluding pledged deposits of RMB55.9 million) amounted to RMB164.1 million (as at 31 December 2015: RMB82.6 million).

The Group's inventories decreased by RMB40.8 million to RMB208.2 million (as at 31 December 2015: RMB249.0 million). During the year ended 31 December 2016, the inventory turnover days were 17.1 days as compared with 67.2 days for the year ended 31 December 2015. The decrease in inventory turnover days was mainly due to the increase in sales from trading of electrolytic copper and the turnover days of such sales were shorter.

Trade debtors and bills receivable decreased by RMB191.2 million to RMB261.7 million as at 31 December 2016 (as at 31 December 2015: RMB452.9 million). Trade debtors and bills receivable turnover days decreased to 26.4 days as compared to 122.3 days in 2015. The decrease in receivable turnover days was primarily contributed to the sales from trading of electrolytic copper, the credit period of which we grants to the customers is shorter.

Trade and bills payable increased by RMB29.8 million to RMB90.8 million as at 31 December 2016 (as at 31 December 2015: RMB61.0 million), the payable turnover days were 5.7 days, compared to 9.2 days in 2015. The decrease in payable turnover days was primarily contributed to the increase in trading of electrolytic copper which has a shorter credit period granted by the suppliers. Furthermore, we endeavor to keep our trade and bills payable turnover days relatively low mainly because our prompt payment pattern enhances our suppliers' willingness to supply raw materials to us and therefore helps us secure raw materials.

The Group's total interest-bearing borrowings decreased by RMB32.1 million to RMB918.0 million as at 31 December 2016 (as at 31 December 2015: RMB950.1 million). The overall decrease was mainly due to the repayment of RMB83.8 million in relation to loan from a related party and repayment of RMB13.8 million in relation to obligation under finance lease, net of the increase of RMB20.0 million in relation to bank and other borrowings and the increase of RMB45.3 million in relation to the liability component of convertible bonds.

Bank loans and other borrowings included three entrusted loans of RMB100.0 million each (in total: RMB300.0 million) from Mianyang Science Technology City Development Investment (Group) Co., Ltd. (綿陽科技城發展投資(集團)有限公司) ("Mianyang Development Group"). Pursuant to the entrusted loan agreement signed among Mianyang Tongxin Copper Co., Ltd. (綿陽銅鑫銅業有限公司) ("Tongxin"), a wholly owned subsidiary of the Company, Mianyang Development Group and the entrusted bank, the entrusted loans expired on 27 August 2016, 23 September 2016 and 18 November 2016 respectively. Mianyang Development Group, the entrusted bank and Tongxin have signed a memorandum of understanding, pursuant to which, the entrusted loan would not be repayable until further agreed otherwise.

As announced in the Company's announcement dated 24 November 2016, the Company is in advanced negotiation with an investor in relation to a possible subscription for convertible bonds with a principal amount of HK\$200 million. The negotiation is still under the progress as at the date of this announcement.

The Company is also negotiating with the convertible bonds holder in relation to a possible conversion of the convertible bonds which were issued on 13 April 2015 and are to be matured on 12 April 2017.

The Group maintains a strong relationship with its bankers. None of the Group's bankers have demanded the Group for early loan repayment. Subsequent to 31 December 2016, the Group is able to refinance the borrowings when they fell due through its existing bankers. In addition, the entrusting party of the entrusted loans of RMB129 million as at 31 December 2016 has confirmed to waive the Group's obligations arising from the breach of loan covenants.

In view of the above arrangements, the Directors are satisfied that if the above measures are successful the Group will be able to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period.

The following table sets forth certain financial ratios of our Group as of the dates indicated:

	As at 31 December	
	2016	2015
Current ratio	1.0	1.1
Quick ratio	0.8	0.9
Debt to equity ratio*	113.7%	126.0%
Net debt to equity ratio [#]	93.3%	115.0%

* Total interest-bearing debts/Total equity

[#] (Total interest-bearing debts less cash and cash equivalents)/Total equity

Current ratio and quick ratio as at 31 December 2016 is relatively stable as compared to that at 31 December 2015.

The improvement in debt to equity ratio and net debt to equity ratio as at 31 December 2016 as compared to 31 December 2015 were mainly because of (i) the overall decrease in the Group's total interest-bearing borrowings and (ii) the issue of new ordinary shares during the year.

Charge on assets

The following table sets forth the net book value of assets under pledge for certain banking facilities, bills payable facilities, obligations under finance leases and outstanding futures contracts as at the dates indicated:

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	202,891	214,270
Lease prepayments	90,936	53,390
Inventories	29,000	53,063
Government grants receivable	8,550	8,550
Deposits with guarantee companies	6,000	8,000
Deposits with banks	20,900	22,982
Deposits with lessors of finance leases	5,320	5,320
Deposit with other companies	28,506	22,904
	<u>392,103</u>	<u>388,479</u>

Commodity risk

The major raw materials used in the production of our recycled copper products are scrap copper. We are exposed to fluctuations in the prices of raw materials as well as finished goods which are influenced by global as well as regional supply and demand conditions. Fluctuations in the copper prices could adversely affect our financial performance. The Group uses copper futures contracts to mitigate part of its exposure against price fluctuations of copper. The market value of futures contracts is based on the quoted market price as at the date of consolidated statement of financial position. The Group did not have outstanding copper futures contracts as at 31 December 2016 (as at 31 December 2015: Nil). Net loss of RMB28,000 was recognized for the year ended 31 December 2016 (2015: net gain of RMB6.1 million).

Foreign currency risk

The functional currency of a majority of the entities within our Group is RMB and most of the transactions are settled in RMB. However, we are exposed to currency risk primarily related to the cash and cash equivalents and loans from a related party, both of which are denominated in HKD and the convertible bonds that are denominated in USD. The balance of cash and cash equivalents as at 31 December 2016 including HK\$9.3 million and USD9,135 (in total equivalent to approximately RMB63,368) were held in banks in Hong Kong.

As at 31 December 2016, the Group's bank loans and other borrowings and obligations under finance leases were denominated in RMB but the convertible bonds were denominated in USD, with an aggregate principal amount of USD32.6 million (equivalent to approximately RMB200 million at the date of the issuance). The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 December 2016. During the year ended 31 December 2016, the Company incurred an exchange difference on translation of financial statements of non-PRC entities equivalent to RMB17.5 million, part of which was resulted from translating the convertible bonds from USD to RMB.

Significant investments held

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other companies during the year ended 31 December 2016.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 4 July 2016, a subsidiary of the Company China Recycling Aluminium Limited ("Recycling Aluminium") completed the acquisition of the remaining 70% non-controlling interests of Mianyang Xinhuan Aluminium Company Limited ("Xinhuan Aluminium") from Sichuan Jinxunhuan E-commerce Limited with a cash consideration of RMB3,100,000. Upon completion, Recycling Aluminium legally and beneficially held 100% equity interest in Xinhuan Aluminium, with the right to appoint all members of the board of directors of Xinhuan Aluminium. Accordingly, Xinhuan Aluminium became an indirect wholly-owned subsidiary of the Company.

On 29 January 2016, Tongxin, a subsidiary of the Company, completed the acquisition of the remaining 35% non-controlling interests of Jin Xunhuan from Tianjin Jili Recycling of Renewable Resources Co., Limited with a cash consideration of RMB8,200,000. Upon completion, Tongxin legally and beneficially held 100% equity interest in Jin Xunhuan, with the right to appoint all members of the board of directors of Jin Xunhuan. Accordingly, Jin Xunhuan became an indirect wholly-owned subsidiary of the Company.

During the year ended 31 December 2016, save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Capital expenditures

For the year ended 31 December 2016, the Group's capital expenditures represent additions to property, plant and equipment (including construction in progress) of approximately RMB40.2 million (2015: RMB125.1 million). The capital expenditures were mainly financed from internal resources.

Capital commitments

As at 31 December 2016, the capital commitments in respect of the acquisition of property, plant and equipment and lease prepayments on lands contracted for but not provided in the consolidated financial statements amounted to RMB40.9 million (as at 31 December 2015: RMB76.0 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2016.

Events after the Reporting Period

Save as disclosed in note 16 to the financial information, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2016 and up to the date of this announcement.

Human resources

As at 31 December 2016, the Group had a total of 477 employees (2015: 832). The Group's staff costs for the year ended 31 December 2016 were approximately RMB76.2 million (2015: RMB79.4 million). The Group offers its staff competitive remuneration packages. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated professionals. The Group is also committed to social responsibility as seen in its employment of disabled staff and providing appropriate working conditions and protection to them.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. To the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands that a better future depends on everyone's participation and contribution. It has encouraged all employees to participate in environmental and social activities which benefit the community as a whole.

The Group itself is operating in the environmental protection industry by virtue of recycling scrap metal materials in the society. Contributing to resolve a significant part of pollution problem in the vicinity of our plants, the Group was highly praised and encouraged by the local governments. The Group is also committed to social responsibility as seen in its employment of disabled staff and providing appropriate working conditions and protection to them. The Group also advocated conservation of resources in office and encouraged employees to develop good habits, conserve resources and energy to build a green and comfortable office environment.

During the year ended 31 December 2016, the Group did not donate to any charitable organization (2015: RMB379,000).

MAJOR CUSTOMERS AND SUPPLIERS

Suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

- the largest supplier: 11% of cost of sales
- five largest suppliers combined: 36% of cost of sales

Sales

- the largest customer: 16% of revenue
- five largest customers combined: 50% of revenue

The scrap copper that we process comes from a variety of sources, including used household appliances, electrical equipment and transportation equipment, used cables and wires and scrap materials from certain industrial manufacturing processes. We purchase our scrap copper mainly from domestic suppliers located near our production facilities and elsewhere in other provinces of China. We conduct rigorous quality control tests at different stages of our production processes, including rigorous quality tests of our raw materials. Before entering into a business relationship with a new supplier, we conduct diligence on the supplier's background and reputation in the market to assess its suitability. In addition, we physically inspect each delivery of raw materials to ensure its compliance with contract specifications, including purity and copper content.

Maintaining strong relationships with our customers is important to us and we believe that our customers' willingness to work with us reflects, among others, our record of producing high quality products that meet industry standards and customer requirements.

None of the Directors of the Company or any of their associates or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and five largest suppliers.

Events after the Reporting Period

Save as disclosed in note 16 to the financial information, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2016 and up to the date of this announcement.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 June 2017 to 6 June 2017, both days inclusive, during which no transfer of shares can be registered. To qualify for the attendance and voting at the AGM, shareholders must ensure that all transfer documents accompanied by the relevant share certificates be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 1 June 2017.

REVIEW OF ANNUAL RESULTS

The audit and corporate governance committee of the Company (the “Audit Committee”) has three members comprising three independent non-executive Directors, Mr. Lee Ting Bun Denny (Chairman of the Audit Committee), Mr. Pan Liansheng and Ms. Ren Ruxian, with written terms of reference in compliance with the Listing Rules.

The primary duties of the Audit Committee are mainly to communicate with the external auditor; to review the accounting policies, financial position and financial reporting procedures of the Group; and to assess the financial reporting system, internal control procedures and risk management function of the Group and to make recommendations thereof.

The Audit Committee has also reviewed the consolidated financial statements of the Group for the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company from the Listing Date up to 31 December 2016.

CORPORATE GOVERNANCE

Since the Listing Date, the Company has applied the principles of and is in compliance with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules save as disclosed below.

Code Provision A.2.1 provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established and set out in writing. Currently, Mr. Yu Jianqiu is both the Chairman and Chief Executive Officer of the Company. As Mr. Yu is the founder of the Group and has extensive experience in operations and management, the Board believes that it is in the best interest of the Group to have Mr. Yu taking up both roles for continuous effective management and business development of the Group.

Code provision A.6.7 provides that the independent non-executive Directors and non-executive Directors should attend general meetings of the Company. Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Due to other business engagements, an executive Director was not able to attend the annual general meeting of the Company held on 6 June 2016.

In the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors can attend the general meetings.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding the directors' securities transactions on terms not less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all directors confirmed that they had complied with the required standards set out in the Model Code and the code of conduct regarding the directors' securities transactions since the Listing Date.

ANNUAL GENERAL MEETING

Notice of annual general meeting of the Company will be published and dispatched to the Company's shareholders in the manner required by the Listing Rules in due course.

PUBLICATIONS OF RESULTS ANNOUNCEMENT

This results announcement is published on the websites of the Company (www.cmru.com.cn) and the Stock Exchange (www.hkex.com.hk). An annual report for the year ended 31 December 2016 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders and business associates for their continuous support and the entire staff for their dedication and contribution to the Group during the year.

By Order of the Board
China Metal Resources Utilization Limited
YU Jianqiu
Chairman

Hong Kong, 30 March 2017

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.