中金资源

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)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITED FINANCIAL HIGHLIGHTS

- Revenue increased by 16.3% to RMB24,012.7 million, as compared to 2018.
- Gross loss margin amounted to 1.1%, as compared to a gross loss margin of 1.1% for last year.
- Impairment of goodwill amounted to RMB407.9 million in 2019, as compared to nil in 2018.
- Loss attributable to the owners of the Company for the year amounted to RMB217.3 million, as compared to the profit attributable to the owners of the Company of RMB20.1 million for last year.
- Loss per share for the year amounted to RMB0.08, as compared to earnings per share of RMB0.01 for last year.
- Current ratio of 1.3 as at 31 December 2019, as compared to 1.3 as at 31 December 2018.
- Debt to equity ratio of 93.8% as at 31 December 2019, as compared to 60.2% as at 31 December 2018.
- The Board does not recommend the declaration of any final dividend for the year ended 31 December 2019.

RESULTS

Reference is made to the announcements of China Metal Resources Utilization Limited (the "Company") dated 30 March 2020 in annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "2019 Unaudited Results Announcement") and (ii) the announcements of the Company dated 4 May 2020, 13 May 2020, 29 May 2020, 5 June 2020, 19 June 2020, 26 June 2020, 9 July 2020, 15 July 2020, 31 July 2020 and 11 August 2020 in relation to the delay in publication of the audited annual results announcement for the year ended 31 December 2019 and 2019 annual report of the Company and date of board meeting.

The Board is pleased to present the consolidated annual results of the Company for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019
(Expressed in Renminbi)

	Notes	**2019** **RMB'000**	2018 RMB'000
REVENUE	*3*	**24,012,653**	20,642,565
Cost of sales		**(24,270,594)**	(20,876,829)
GROSS LOSS		**(257,941)**	(234,264)
Other income/(expenses), gain/(loss), net	*5*	**350,332**	491,410
Selling and distribution expenses		**(30,532)**	(23,844)
Administrative expenses		**(130,046)**	(111,078)
Reversal of provision for doubtful debts, net		**45,115**	69,605
Finance costs	*7*	**(147,893)**	(135,089)
Share of profits/(losses) of associates		**(4,811)**	8,238
PROFIT/(LOSS) BEFORE TAX	*6*	**(175,776)**	64,978
Income tax expense	*8*	**(41,560)**	(44,855)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(217,336)**	20,123
EARNINGS/(LOSS) PER SHARE	*9*		
Basic (RMB)		**(0.08)**	0.01
Diluted (RMB)		**(0.08)**	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Renminbi)

	2019	2018
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**(217,336)**	20,123
Other comprehensive loss for the year:		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company and the foreign operations	**(15,335)**	(51,254)
Equity investment designated of fair value through other comprehensive income included in interests in associates:		
Changes in fair value	**(9,600)**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(242,271)**	(31,131)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in Renminbi)

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**599,234**	643,845
Right-of-use assets		**122,779**	–
Prepaid land lease payments		**–**	120,317
Interests in associates		**68,108**	184,648
Goodwill	*11*	**277,895**	685,778
Pledged deposits		**–**	4,800
Prepayments, other receivables and other assets		**24,441**	29,946
Deferred tax assets		**16,605**	19,638
		1,109,062	1,688,972
CURRENT ASSETS			
Inventories		**563,799**	432,525
Trade and bills receivables	*12*	**1,189,037**	879,331
Prepayments, other receivables and other assets		**2,108,337**	1,537,701
Derivative financial instrument		**107,451**	–
Amounts due from associates		**15,261**	5,038
Amounts due from related parties		**10**	10
Pledged deposits		**42,982**	47,012
Cash and cash equivalents		**64,703**	112,935
		4,091,580	3,014,552
CURRENT LIABILITIES			
Trade and bills payables	*13*	**559,892**	543,355
Note payables		**30,457**	17,524
Other payables and accruals		**873,433**	539,649
Finance lease payables		**–**	714
Interest-bearing bank and other borrowings		**1,025,111**	532,408
Lease liabilities		**3,174**	–
Amounts due to associates		**32,801**	103,709
Amounts due to a related party		**5,613**	5
Liability component of convertible bonds		**636,524**	576,854
Tax payable		**63,780**	50,420
		3,230,785	2,364,638
NET CURRENT ASSETS		**860,795**	649,914
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,969,857**	2,338,886

	Notes	**2019** *RMB'000*	2018 *RMB'000*
NON-CURRENT LIABILITIES			
Finance lease payables		**–**	4,226
Interest-bearing bank and other borrowings		**–**	16,140
Lease liabilities		**3,361**	–
Contingent consideration liabilities		**151,305**	407,667
Deferred government grants		**4,007**	5,076
Deferred tax liabilities		**1,097**	–
		159,770	433,109
NET ASSETS		**1,810,087**	1,905,777
EQUITY			
Share capital	*14*	**211,741**	210,244
Reserves		**1,598,346**	1,695,533
TOTAL EQUITY		**1,810,087**	1,905,777

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 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 ("the Listing Date").

2.1 BASIS OF PRESENTATION

Going concern basis

For the year ended 31 December 2019, the Group recorded a net loss of RMB217,336,000, which included an impairment of goodwill of RMB407,883,000 and fair value gain of contingent consideration liabilities of RMB240,395,000. As at 31 December 2019, the Group had cash and cash equivalents amounting to RMB64,703,000, and there were interest-bearing bank and other borrowings, convertible bonds and note payables totaling RMB1,692,092,000 repayable within one year or on demand. In addition, as at 31 December 2019, the Group had defaulted on the convertible bonds with an aggregate principal amount of HK$590,000,000 (approximately RMB528,522,000) and entrusted loans amounting to RMB299,116,000. The above defaults had caused the cross-default of certain other borrowings amounting to RMB166,400,000 as at 31 December 2019.

These conditions, together with other matters below, indicate the existence of multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group has implemented, or is in the process of implementing, the following measures to mitigate the liquidity pressure and to improve its financial position:

(a) Mianyang Science Technology City Development Investment (Group) Co. Ltd ("Kefa"), the entrusting party of the entrusted loans of RMB299 million, has indicated that the entrusted loans would not be immediately repayable because the entrusting party is in negotiation with the Group on a debt equity arrangement to convert the entrusted loans into equity interest of the Company;

(b) The Group maintains a strong relationship with its bankers, financial institutions and convertible bonds holders. None of the Group's bankers, financial institutions and convertible bond holders have demanded the Group for early repayment of the Group's borrowings. Subsequent to 31 December 2019, the Group has been able to refinance certain borrowings when they fall due through its existing bankers and convertible bond holder;

(c) On 27 March 2020, a subsidiary of the Group has entered into a loan agreement with Sichuan Xijiulong Investment Co, Ltd. ("Xijiulong") to provide a short-term loan of RMB125 million to the Group.

(d) On 13 April 2020, the Company has entered into a subscription agreement with a convertible bond holder, Peaceful Wealth International Limited ("Peaceful"). According to the subscription agreement, Peaceful subscribed for a note issued by the Company in the aggregate principal amount of HK$92,300,000, interest-bearing at 12% per annum and with a maturity date on 13 April 2021, which was settled by the outstanding liabilities owed by the Company to Peaceful under the Remaining Tranche II Convertible bonds;

(e) On 22 April 2020, the Company and the August 2017 convertible bond holders entered into an extension deed to extend the original maturity date of 11 August 2019 of the August 2017 CBs, with an aggregate remaining principal amount of HK$590 million at 31 December 2019, for one year to 11 August 2020, with all other terms and conditions remaining unchanged. The extension was completed on 7 May 2020. On 11 August 2020, the Group defaulted on the August 2017 CBs and the Group is in negotiation with the convertible bond holders for further extension of the repayment date;

(f) On 28 April 2020, the Company has entered into a subscription agreement with a convertible bond holder, Prosper Rich Investments Limited ("Prosper Rich"). According to the subscription agreement, the Company would issue a note in the principal amount equivalent to the outstanding liabilities owed by the Group to Prosper Rich on the revised maturity date of the August 2017 CBs, interest-bearing at 14% per annum and due for repayment one year after the issuance date. The final execution of the note subscription is subject to the redemption or conversion of the August 2017 CBs owed to a convertible bond holder, Huarong International Holdings Limited ("Huarong"), in the principal amount of HK$390 million upon the maturity date of 11 August 2020. On 11 August 2020, the Group defaulted on the August 2017 CBs and the Group is in negotiation with Prosper Rich for further extension of the repayment date;

(g) On 1 July 2020, the Company has entered into a non-legally binding framework agreement with Mianyang Fule Investment Co., Ltd. ("Fule"), a state-owned enterprise in the PRC. Under the framework agreement, it is intended, among others, that Fule will subscribe for shares of the Company for a consideration of more than RMB298 million. The intended uses of the proceeds from Fule will include, but not be limited to, the repayment of advances in the principal amount of up to RMB298 million owed by the Group to Fule. On 20 July 2020, the Company and Fule entered into the subscription agreement, pursuant to which the Company has conditionally agreed to issue and Fule has conditionally agreed to subscribe for 618,490,456 shares of the Company at a price of HK$0.53 per share;

(h) On 8 July 2020, the Company has obtained a credit facility amounting to HK$400 million with a term of one year from an investment company;

(i) On 9 July 2020, the Company has entered into a non-legally binding letter of intent with Huarong, pursuant to which, it is intended, among others, that Huarong shall commence its internal procedures to consider a possible extension of the convertible bond owed by the Group with principal amount of HK$390 million, to August 2021. On 11 August 2020, the Group defaulted on the August 2017 CBs and the Group is in negotiation with Huarong for further extension of the repayment date;

(j) On 16 July 2020, the Company has entered into a non-legally binding framework agreement with Kefa, a state-owned enterprise in the PRC. Under the framework agreement, it is intended, among others, that Kefa will subscribe for shares of the Company for a consideration of more than RMB300 million. The share subscription consideration will be settled by the repayment of entrusted loans amounting to RMB299 million as at 31 December 2019 owed by the Group to Kefa;

(k) Management has been endeavouring to improve the Group's operating performance and cash flows through cost control measures and working capital management to maintain sufficient liquidity; and

(l) The management will consider other financial arrangements with a view to increasing the Group's equity.

The directors of the Company, including the members of the audit committee, have reviewed the Group's cashflow forecast prepared by management. The cashflow forecast covers a period of eighteen months from the end of the reporting period. The directors are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next eighteen months from the end of the reporting period. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2019 on a going concern basis.

Notwithstanding the above, multiple material uncertainties exist as to whether the Group will be able to continue as a going concern depending upon the Group's ability to generate adequate financial and operating cash flows through the following:

(i) Successfully negotiating with the Group's lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with principal and interests in default, including those with cross-default terms;

(ii) Successfully negotiating with the convertible bond holders for the extension of repayment dates;

(iii) Successfully negotiating with financial institutions and other lenders for the renewal of or extension for repayment of borrowings;

(iv) Successfully carrying out the Group's business strategic plan and cost control measures so as to improve working capital and cashflow position, including but not limited to continuous collection of trade receivables and inventory level management; and

(v) Successfully obtaining additional funds from new sources of financing or strategic investors.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instrument and contingent consideration liabilities, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendment to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvement to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs, are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of properties, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB4,603,000 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

As a lessee — Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	129,939
Decrease in property, plant and equipment	(4,603)
Decrease in prepaid land lease payments	(120,317)
Increase in total assets	5,019
Liabilities	
Increase in lease liabilities	10,048
Decrease in finance lease payables	(4,940)
Increase in total liabilities	5,108
Increase in accumulated losses	(89)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	5,426
Weighted average incremental borrowing rate as at 1 January 2019	3.25%
Discounted operating lease commitments as at 1 January 2019	5,108
Add: Finance lease liabilities recognised as at 31 December 2018	4,940
Lease liabilities as at 1 January 2019	10,048

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

3 REVENUE

Revenue from contracts with customers are mainly derived from manufacturing and sales of copper and related products in the People's Republic of China ("PRC"), of which the revenue was recognised at a point in time when goods were transferred.

The amount of each significant category of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from trading of electrolytic copper *(Note)*	**16,715,910**	13,519,429
Sales of recycled copper products	**7,183,657**	6,790,364
Sales of power transmission and distribution cables	**32,022**	27,315
Sales of communication cables	**28,033**	40,935
Sales of scrap materials	**48,596**	81,807
Revenue from trading of electrolytic nickel	**–**	173,627
Others	**4,435**	9,088
	24,012,653	20,642,565

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

The following table shows the amounts of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**30,578**	3,780

Disaggregated revenue information

	2019			
	Recycled copper products	**Power transmission and distribution cables**	**Communication cables**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from trading of electrolytic copper	**16,715,910**	**–**	**–**	**16,715,910**
Sales of recycled copper products	**7,183,657**	**–**	**–**	**7,183,657**
Sales of power transmission and distribution cables	**–**	**32,022**	**–**	**32,022**
Sales of communication cables	**–**	**–**	**28,033**	**28,033**
Sales of scrap materials	**48,535**	**46**	**15**	**48,596**
Others	**4,435**	**–**	**–**	**4,435**
	23,952,537	**32,068**	**28,048**	**24,012,653**

	2018			
	Recycled copper products	Power transmission and distribution cables	Communication cables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from trading of electrolytic copper	13,519,429	–	–	13,519,429
Sales of recycled copper products	6,790,364	–	–	6,790,364
Sales of power transmission and distribution cables	–	27,315	–	27,315
Sales of communication cables	–	–	40,935	40,935
Sales of scrap materials	81,807	–	–	81,807
Revenue from trading of electrolytic nickel	173,627	–	–	173,627
Others	9,088	–	–	9,088
	20,574,315	27,315	40,935	20,642,565

Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 3 months from delivery, except for new customers, where payment in advance is normally required.

4 SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(i) Recycled copper products segment: use of scrap copper and electrolytic copper for the manufacturing and trading of recycled copper products, and trading of electrolytic copper and nickel products;

(ii) Power transmission and distribution cables segment: manufacturing and sales of power transmission and distribution cables; and

(iii) Communication cables segment: manufacturing and sales of communication cables.

(a) Segment results

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that certain interest income, corporate and other unallocated expenses, certain finance costs as well as share of profits of associates are excluded from such measurement.

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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	2019			
	Recycled copper products *RMB'000*	**Power transmission and distribution cables** *RMB'000*	**Communication cables** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Sales to external customers	**23,952,537**	**32,068**	**28,048**	**24,012,653**
Intersegment sales	**446,844**	**269**	**10,060**	**457,173**
	24,399,381	**32,337**	**38,108**	**24,469,826**
Reconciliation:				
Elimination of intersegment sales				**(457,173)**
Revenue				**24,012,653**
Segment results	**195,287**	**3,744**	**18,448**	**217,479**
Reconciliation:				
Interest income	**157**	**5**	**173**	**335**
Impairment of goodwill				**(407,883)**
Changes in fair value of contingent consideration liabilities				**240,395**
Impairment of interests in associates				**(102,129)**
Changes in fair value of derivative financial instrument				**107,451**
Corporate and other unallocated expenses				**(162,441)**
Finance costs	**(60,281)**	**(2,676)**	**(1,215)**	**(64,172)**
Share of losses of associates				**(4,811)**
Loss before tax				**(175,776)**
Depreciation and amortisation	**(42,992)**	**(7,766)**	**(2,857)**	**(53,615)**
VAT refunds, government grants and subsidies	**481,970**	**17,192**	**13,037**	**512,199**
Reversal of provision for doubtful debts, net	**28,811**	**1,316**	**14,988**	**45,115**

	2018			
	Recycled copper products	Power transmission and distribution cables	Communication cables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue				
Sales to external customers	20,574,315	27,315	40,935	20,642,565
Intersegment sales	367,579	515	10,864	378,958
	20,941,894	27,830	51,799	21,021,523
Reconciliation:				
Elimination of intersegment sales				(378,958)
Revenue				20,642,565
Segment results	280,500	5,546	10,106	296,152
Reconciliation:				
Interest income	123	15	228	366
Corporate and other unallocated expenses				(204,625)
Finance costs	(27,684)	(2,264)	(5,205)	(35,153)
Share of profits of associates				8,238
Profit before tax				64,978
Other segment information				
Depreciation and amortisation	(31,366)	(8,321)	(3,058)	(42,745)
VAT refunds, government grants and subsidies	468,302	12,835	12,471	493,608
Reversal of provision for doubtful debts, net	64,054	4,099	1,452	69,605

(b) 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 profit or loss are presented.

(c) Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the Group's revenue, is set out below:

	2019	2018
	RMB'000	*RMB'000*
Recycled copper products segment		
Customer A	**4,185,714**	3,559,391
Customer B	**2,988,479**	7,464,523
Customer C	**2,701,202**	N/A*
	9,875,395	11,023,914

* Less than 10% of the Group's revenue.

5 OTHER INCOME/(EXPENSES), GAIN/(LOSS), NET

	Notes	2019 RMB'000	2018 RMB'000
VAT refunds			
— Comprehensive utilisation of resources	*(i)*	**210,162**	234,823
— Others		**2,354**	4,283
Government grants	*(ii)*	**149,427**	122,330
Government subsidies	*(iii)*	**150,256**	132,172
Interest income		**436**	487
Net loss on copper futures contracts upon settlement		**(92)**	(1,729)
Foreign exchange differences, net		**(876)**	(1,733)
Loss on disposal of items of property, plant and equipment		**(285)**	(186)
Impairment of goodwill		**(407,883)**	–
Changes in fair value of contingent consideration liabilities		**240,395**	1,696
Impairment of interests in associates		**(102,129)**	–
Changes in fair value of derivative financial instrument		**107,451**	–
Others		**1,116**	(733)
		350,332	491,410

Notes:

(i) The Group is entitled to government grants for refunds of 30% for the year ended 31 December 2019 (2018: 30%) 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 Group 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 these grants.

(iii) In 2019, the Group was granted unconditional government subsidies of RMB150,256,000 (2018: RMB132,172,000) from Youxian District Finance Bureau, Mianyang City, Sichuan Province. The government 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. Baohe Fushan received the government subsidies and distributed to the Group. Baohe Fushan has the discretionary right to allocate and distribute the government subsidies, with reference to the amounts of tax payments made by the entities located in the industrial park.

6 PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting):

	2019	2018
	RMB'000	*RMB'000*
Cost of sales *(Note)*	**24,270,594**	20,876,829
Depreciation of property, plant and equipment	**45,857**	40,194
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**7,758**	2,551
Research and development costs	**3,377**	2,202
Minimum lease payments under operating leases	**–**	3,863
Auditor's remuneration	**6,372**	4,637
Professional fees	**26,112**	13,924
Provision for inventories*	**3,059**	–
Reversal of provision for doubtful debts, net	**(45,115)**	(69,605)
Loss on disposal of items of property, plant and equipment#	**285**	186
Impairment of goodwill#	**407,883**	–
Changes in fair value of contingent consideration liabilities#	**(240,395)**	(1,696)
Impairment of interests in associates#	**102,129**	–
Changes in fair value of derivative financial instrument#	**(107,451)**	–
Foreign exchange differences, net#	**876**	1,733
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**45,665**	43,638
Pension scheme contributions	**6,119**	4,003
Equity-settled share option expense	**873**	7,563
	52,657	55,204

* The provision for inventories for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

These balances for the year are included in "Other income/(expenses), gain/(loss), net" in the consolidated statement of profit or loss.

Note: Cost of sales includes RMB57,192,000 (2018: RMB53,564,000) relating to staff costs, depreciation and amortisation, the amounts of which are also included in the respective total amounts.

7 FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**74,013**	52,589
Interest on lease liabilities	**1,942**	–
Interest on obligation under finance lease	**–**	1,654
Interest on convertible bonds	**71,881**	80,760
Guarantee fees and other charges	**57**	86
	147,893	135,089

8 INCOME TAX

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 for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2018: Nil).

The subsidiaries of the Group in the PRC are subject to income tax at the rate of 25% (2018: 25%). In year 2019, 2 subsidiaries (2018: 4) were given the New/High Tech Enterprise Award and a subsidiary (2018: 6) was in the western region that engage in the industries encouraged by the government. These subsidiaries were entitled to a tax concession of a lower income tax rate (i.e. 15%) for the year ended 31 December 2019 and 2018.

	2019	2018
	RMB'000	*RMB'000*
Current — the PRC		
Charge for the year	**36,369**	38,610
Underprovision in prior years	**1,061**	108
	37,430	38,718
Deferred	**4,130**	6,137
	41,560	44,855

9 EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 2,643,658,030 (2018: 2,541,850,770) in issue during the year.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2019	2018
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company	**(217,336)**	20,123
Interest on convertible bonds	**71,881**	80,760
Profit/(loss) attributable to owners of the Company before interest on convertible bonds	**(145,455)**	100,883

	Number of shares 2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**2,643,658,030**	2,541,850,770
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**6,274,247**	11,189,109
Share options	**57,972,145**	81,218,978
Contingent consideration shares	**–**	16,609,419
Convertible bonds	**227,335,563**	230,595,837
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	**2,935,239,985**#	2,881,464,113*

Because the Group was loss-making for the year ended 31 December 2019, the warrants, share options and convertible bonds had no dilutive impact.

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the year of RMB20,123,000 and the weighted average number of ordinary shares of 2,650,868,276 in issue during the year.

10 DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

11 GOODWILL

	RMB'000
At 1 January 2018	
Cost	39,308
Accumulated impairment	(16,081)
Net carrying amount	23,227
Cost at 1 January 2018, net of accumulated impairment	23,227
Acquisition of subsidiaries	662,551
At 31 December 2018	685,778
At 31 December 2018	
Cost	701,859
Accumulated impairment	(16,081)
Net carrying amount	685,778
Cost at 1 January 2019, net of accumulated impairment	685,778
Impairment during the year	(407,883)
Cost and net carrying amount at 31 December 2019	277,895
At 31 December 2019	
Cost	701,859
Accumulated impairment	(423,964)
Net carrying amount	277,895

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the recycled copper product cash-generating units (the "CGUs") in Hunan Yinlian Xiangbei Copper Co., Ltd ("Xiangbei"), Sichuan Baohe Xinshiji Cable Co., Ltd ("Baohe Xinshiji"), Mianyang Baohe Taiyue Communications Cable Co., Ltd ("Baohe Taiyue"), Mianyang Zhaofeng Copper Co., Ltd ("Zhaofeng"), Huibei Rongsheng Metal Product Limited ("Rongsheng") and Chengxin Copper Industry Co, Ltd ("Chengxin") for impairment testing.

The recoverable amounts of the CGUs are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a zero-growth rate. The growth rate used do not exceed the long-term average growth rates for the business in which the CGUs operate. The cash flows are discounted using pre-tax discount rates from approximately 8.33% to 9.00% at 31 December 2019 (2018: 8.33%). Key assumptions used for the value in use calculations are the gross margins, growth rates and the availability of VAT refunds. Management determined the budgeted gross margins and growth rates based on past performance and its expectation for market development. The values assigned to the key assumptions are consistent with external information sources. No government grant is assumed to be received in the value in use calculations.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Recycled copper products		
— Xiangbei	**22,766**	22,766
— Baohe Xinshiji	**213**	213
— Baohe Taiyue	**248**	248
— Zhaofeng	**63,564**	63,564
— Rongsheng	**1,195**	290,977
— Chengxin	**189,909**	308,010
	277,895	685,778

Based on the results of the valuation, the recoverable amounts of the CGUs of Rongsheng and Chengxin amounted to RMB284,000,000 and RMB322,000,000, respectively, as being lower than the respective carrying amounts of RMB573,782,000 and RMB440,101,000. Accordingly, an impairment loss of RMB407,883,000 (2018: Nil) has been recognised in profit or loss for the year ended 31 December 2019. Except for Rongsheng and Chengxin, the recoverable amounts of other CGUs based on the value in use calculations are higher than their carrying amounts as at 31 December 2019 and 2018. Accordingly, no impairment loss on goodwill regarding those CGUs has been recognised in profit or loss.

After the impairment loss recognised for the year, management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the revised carrying amount to exceed its recoverable amount.

12 TRADE AND BILLS RECEIVABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade receivables	**1,272,188**	1,008,234
Impairment	**(84,226)**	(129,341)
	1,187,962	878,893
Bills receivables	**1,075**	438
	1,189,037	879,331

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 3 months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "Arrangement") and transferred certain trade receivables to a financial institution. Under the Arrangement, the Group is required to reimburse the bank for any loss, including the loss arising in default of the trade debtors. Subsequent to the transfer, the Group has retained the substantial risks and rewards of the trade receivables and accordingly, it continued to recognise the full carrying amounts of the trade receivables. Loan from factorer is recognised for any consideration received for the Arrangement. The carrying amount of the assets that the Group continued to recognise as at 31 December 2019 was RMB332,023,000 (2018: Nil) and that of the associated liabilities as at 31 December 2019 was RMB261,100,000 (2018: Nil).

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**760,171**	426,325
31 to 60 days	**135,710**	208,843
61 to 180 days	**140,831**	150,201
Over 180 days	**152,325**	93,962
	1,189,037	879,331

13 TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**534,092**	517,555
Bills payables	**25,800**	25,800
	559,892	543,355

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**78,738**	155,146
31 to 60 days	**453,224**	32,121
61 to 180 days	**9,154**	111,767
Over 180 days	**18,776**	244,321
	559,892	543,355

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

14 SHARE CAPITAL

Authorised and Issued Share Capital

	2019	2018
	RMB'000	*RMB'000*
Authorised:		
100,000,000,000 ordinary shares at HK$0.1 each	**8,071,000**	8,071,000
Issued and fully paid:		
2,631,603,838 (2018: 2,614,994,419) ordinary shares	**211,741**	210,244

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital *RMB'000*
At 1 January 2018	2,466,900,969	197,495
Exercise of share options (i)	17,282,000	1,394
Issuance of ordinary shares (ii)	75,980,000	6,687
Exercise of warrants (iii)	18,101,372	1,462
Issuance of consideration shares (iv)	36,730,078	3,206
At 31 December 2018 and 1 January 2019	2,614,994,419	210,244
Issuance of ordinary shares (v)	16,609,419	1,497
At 31 December 2019	2,631,603,838	211,741

Notes:

(i) The subscription rights attaching to 17,282,000 share options were exercised at the subscription price of HK$1.13 per share, resulting in the issue of 17,282,000 shares for a total cash consideration, before expenses, of HK$19,528,000 (equivalent to RMB15,750,000). An amount of RMB5,374,000 was transferred from the share-based payment reserve to share premium upon the exercise of the share options.

(ii) On 4 October 2018, 75,980,000 ordinary shares were issued at HK$4.80 each to an independent third party Hongkong Fule International Investment Limited ("Hongkong Fule"), which resulted in proceeds of HK$364,704,000 (equivalent to RMB320,922,000).

(iii) 18,101,372 shares were issued for cash at a weighted average subscription price of HK$1.39 per share pursuant to the exercise of the Company's warrants for a total cash considerations, before expenses, of HK$25,197,000 (equivalent to RMB20,355,000).

(iv) On 17 September 2018, the Company issued 36,730,078 ordinary shares to the suppliers pursuant to an agreement as disclosed in the announcement dated 15 August 2017. RMB3,206,000 and RMB90,813,000 had been transferred from consideration share reserve to share capital and share premium respectively.

(v) On 9 October 2019, the Company issued 16,609,419 ordinary shares at HK$4.80 each to Sure Victor Global Limited ("Sure Victor") pursuant to an agreement as disclosed in the announcement dated 7 February 2018. RMB1,497,000 and RMB70,390,000 had been transferred from contingent consideration liabilities to share capital and share premium respectively.

MATERIAL DIFFERENCES BETWEEN 2019 UNAUDITED AND AUDITED ANNUAL RESULTS

Reference is made to the 2019 Unaudited Annual Results Announcement. Since subsequent adjustments have been made to the unaudited annual results of the Group contained in the 2019 Unaudited Annual Results Announcement upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the following material differences between the unaudited annual results of the Group contained in the 2019 Unaudited Annual Results Announcement and the audited annual results of the Group in this announcement.

Item for the year ended 31 December 2019

	Notes	2019 *RMB'000* *(Audited)*	2019 *RMB'000* *(Unaudited)*	Difference *RMB'000*
Consolidated statement of profit or loss				
Other income/(expenses), gain/(loss), net	*(a)*	350,332	637,351	(287,019)
Share of profits of associates	*(b)*	(4,811)	511	(5,322)
PROFIT/(LOSS) BEFORE TAX	*(a)-(b)*	(175,776)	116,565	(292,341)
PROFIT/((LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	*(d)*	(217,336)	75,005	(292,341)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
NON-CURRENT ASSETS				
Interests in associates	*(c)*	68,108	175,559	(107,451)
Goodwill	*(d)*	277,895	570,236	(292,341)
CURRENT ASSETS				
Derivative financial instrument	*(e)*	107,451	–	107,451
CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	*(f)*	1,025,111	889,691	135,420
NET CURRENT ASSETS	*(e)-(f)*	860,745	888,764	(28,019)
TOTAL ASSETS LESS CURRENT LIABILITIES	*(c)-(f)*	1,969,857	2,397,618	(427,761)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	*(f)*	–	135,420	(135,420)
NET ASSETS	*(d)*	1,810,087	2,102,428	(292,341)

Notes:

(a) The difference is due to further impairment of goodwill of RMB292,341,000, impairment of interests in associates of RMB102,129,000 and changes in fair value of derivative financial instrument of RMB107,451,000.

(b) The difference is due to share of loss in associates of RMB5,322,000 due to impairment in non-current assets.

(c) The difference is due to impairment of interests in associates of RMB102,129,000 and share of loss in associates of RMB5,322,000 due to impairment in non-current assets.

(d) The difference is due to further impairment of goodwill of RMB292,341,000.

(e) The difference is due to recognition of fair value of derivative financial instrument of RMB107,451,000.

(f) The difference is due to reclassification between current and non-current portion of interest-bearing bank and other borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2019, the PRC's GDP grew at 6.1% including 6.0% for Q4 of 2019, such growth rates, though slowing, were still within a reasonable range. The PRC still recorded an increase in the demand for copper products across the country. As a result, the Group recorded an increase in sales of copper products in 2019 as compared with 2018, which translated into an increase in turnover by 16.3% as compared with the same period last year. Such increase in sales was contributed not only by the increase in the Group's trading volume of electrolytic copper but also by the increase in production volume of its recycled copper products. Along with the increase in production and sales volume of recycled copper products, VAT refunds under the Comprehensive Utilisation of Resources Policy also recorded a corresponding increase during 2019. Furthermore, the improvement in the liquidity of our customers has resulted in an overall improvement in our trade receivable ageing and consequently the provision for bad debts ratio was adjusted downwards accordingly. Nevertheless, the outbreak of Coronavirus Disease 2019 ("COVID-19") since January 2020 has led to a sharp slowdown in China's economic growth, accordingly, management has taken a more conservative approach in estimating the future business development of the Group's three acquired subsidiaries, as a result, a substantial impairment of goodwill was made in the financial statements. Management believes that in view of the effective control of the COVID-19 outbreak in China and the Chinese government has been introducing various measures to revivify the economy across the country. If the operations of these three acquired subsidiaries turn out to be better than what is currently expected, the Company does not envisage to make further goodwill impairment in the coming year.

FUTURE PROSPECTS/OUTLOOK

On 15 January 2020, the PRC and the United States of America signed phase one of the trade agreement, easing a trade war which has rattled the global economy for the most of 2019. However, from January 2020, the COVID-19 outbreak began in the PRC. The Chinese government has implemented various stringent measures to fight against the spread of the virus. As a result, the PRC's manufacturing and services sector plunged to record lows in February and the PRC's exports fell 17.2 percent in January and February. It is widely expected that there will be a drop in the PRC's first quarter GDP, the first contraction since the PRC began reporting quarterly data in 1992. Although the COVID-19 outbreak appears to have slowed down in the PRC and its impacts have gone global beginning in March 2020.

Furthermore, the COVID-19 outbreak has brought about additional uncertainties in the Group's operating environment in the PRC. As far as the Group's businesses are concerned, the outbreak has so far caused operational delays. The Group has put in place contingency measures to reduce the impact from this outbreak. However, the situation remains fluid at this stage.

As a result, we expect our operating environment to be challenging in the coming year. In order to further support the economic growth, the Chinese government encouraged banks to lend more to non-state-owned enterprises, launched new tax cuts and accelerated infrastructure investments. At this juncture, we are still uncertain about the extent of the fall out resulting from the COVID-19 outbreak. We will be looking to conserve our financial strength so that we will be able to cope with possible headwinds as well as being able to take advantage of future opportunities if and when they arise.

FINANCIAL REVIEW

Revenue

Our revenue represents the amounts accepted to be entitled for sales of goods and services in the ordinary course of business. Revenue recognised is net of VAT and other taxes, returns and discounts after eliminating sales within our Group.

	2019	2018
	RMB'000	*RMB'000*
Revenue from trading of electrolytic copper *(Note)*	**16,715,910**	13,519,429
Sales of recycled copper products	**7,183,657**	6,790,364
Sales of power transmission and distribution cables	**32,022**	27,315
Sales of communication cables	**28,033**	40,935
Sales of scrap materials	**48,596**	81,807
Revenue from trading of electrolytic nickel	**–**	173,627
Others	**4,435**	9,088
	24,012,653	20,642,565

Note: The Group has entered into trading activities of electrolytic copper since 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 2019 amounted to RMB24,012.7 million, representing an increase of 16.3% from RMB20,642.6 million for the year ended 31 December 2018. The increase in sales volume was principally from the increase in trading of electrolytic copper and sales of recycled copper products, which are mainly contributed from the commencement of operations of subsidiary in Henan Kaifeng and expansion of operations in 2019.

Revenue from trading of electrolytic copper amounted to RMB16,715.9 million for the year ended 31 December 2019, representing an increase of 23.6% from RMB13,519.4 million for the year ended 31 December 2018. It was mainly an increase of 28.9% in the sales volume of electrolytic copper from 308,242 metric tons for the year ended 31 December 2018 to 397,327 metric tons for the year ended 31 December 2019, with a decrease of 4.1% in average selling price from RMB43,860 per ton for the year ended 31 December 2018 to RMB42,071 per ton for the year ended 31 December 2019.

Revenue from recycled copper products amounted to RMB7,183.7 million for the year ended 31 December 2019, representing an increase of 5.8% from RMB6,790.4 million for the year ended 31 December 2018. It was mainly an increase of 9.3% in the sales volume of recycled copper products from 156,589 metric tons for the year ended 31 December 2018 to 171,228 metric tons for the year ended 31 December 2019, with a decrease of 3.3% in average selling price from RMB43,364 per ton for the year ended 31 December 2018 to RMB41,954 per ton for the year ended 31 December 2019.

Cost of sales

Cost of sales for the year ended 31 December 2019 totaled RMB24,270.6 million, representing an increase of 16.3% from RMB20,876.8 million for the year ended 31 December 2018.

Gross loss

Our gross loss was RMB257.9 million for the year ended 31 December 2019, as compared to the gross loss of RMB234.3 million for the year ended 31 December 2018. Our gross loss margin for the year ended 31 December 2019 was 1.1%, as compared to a gross loss margin of 1.1% for the year ended 31 December 2018.

Other income/(expenses), gain/(loss), net

Our other income and gain for the year ended 31 December 2019 were RMB350.3 million as compared to RMB491.4 million for the year ended 31 December 2018. The decrease in 2019 were primarily attributable to the impairment of goodwill amounted to RMB407.9 million, net of the increase in changes in fair value of contingent consideration liabilities of RMB240,395 and increases in government subsidies and grants and VAT refunds under Comprehensive Utilisation of Resources Policy.

Selling and distribution expenses

Our selling and distribution expenses for the year ended 31 December 2019 were RMB30.5 million, representing an increase of 28.0% from RMB23.8 million for the year ended 31 December 2018. The increase was mainly due to the expansion of operations in 2019.

Administrative expenses

Our administrative expenses for the year ended 31 December 2019 were RMB130.0 million, representing an increase of 17.1% from RMB111.1 million for the year ended 31 December 2018. The increase was primarily due to the increase in professional fees by RMB16.2 million.

Finance costs

Our finance costs for the year ended 31 December 2019 were RMB147.9 million, representing an increase of 9.5% from RMB135.1 million for the year ended 31 December 2018. The increase was primarily due to the increase in the overall balance of interest-bearing borrowings. The balance of interest-bearing borrowings as at 31 December 2019 amounted to RMB1,698.6 million, representing an increase of RMB550.7 million from RMB1,147.9 million as at 31 December 2018.

Profit/(Loss) for the year

Our loss for the year ended 31 December 2019 was RMB217.3 million as compared to the profit of RMB20.1 million for the year ended 31 December 2018. The loss was mainly attributed to the impairment loss of goodwill for the year ended 31 December 2019.

Capital structure

As at 31 December 2019, the capital structure of the Group mainly consisted of shareholders' equity, note payables, interest-bearing bank and other borrowings, finance leases payables, lease liabilities and liability component of convertible bonds. There is no material seasonality of borrowing requirements for the Group.

The following table details the interest rate profile of the Group's total interest-bearing borrowings at the end of reporting periods:

	As at 31 December 2019		As at 31 December 2018	
	Weighted average effective interest rate	**Amount**	Weighted average effective interest rate	Amount
	%	***RMB'000***	*%*	*RMB'000*
Fixed rate borrowings:				
Note payables	**13.00**	**30,457**	12.00	17,524
Interest-bearing bank and other borrowings	**7.19**	**1,025,111**	8.69	548,548
Finance leases payables	**–**	**–**	27.79	4,940
Lease liabilities	**38.81**	**6,535**	–	–
Liability component of convertible bonds	**24.00**	**636,524**	15.07	576,854
Total fixed rate borrowings		**1,698,627**		1,147,866

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

	As at 31 December 2019				
	Note payables *RMB'000*	**Interest-bearing bank and other borrowings** *RMB'000*	**Lease liabilities** *RMB'000*	**Liability component of convertible bonds** *RMB'000*	**Total** *RMB'000*
Within one year or repayable on demand	**30,457**	**1,025,111**	**3,174**	**636,524**	**1,695,266**
After one year but less than two years	**–**	**–**	**812**	**–**	**812**
After two years but less than five years	**–**	**–**	**2,549**	**–**	**2,549**
	30,457	**1,025,111**	**6,535**	**636,524**	**1,698,627**

	As at 31 December 2018				
	Note payables *RMB'000*	Interest-bearing bank and other borrowings *RMB'000*	Finance leases payables *RMB'000*	Liability component of convertible bonds *RMB'000*	Total *RMB'000*
Within one year or repayable on demand	17,524	532,408	714	576,854	1,127,500
After one year but less than two years	–	16,140	866	–	17,006
After two years but less than five years	–	–	3,360	–	3,360
	17,524	548,548	4,940	576,854	1,147,866

Extension of term of convertible bonds

Reference is made to the convertible bonds in the aggregate principal amount of HK$600,000,000 issued to China Huarong International Holdings Limited ("Huarong") and Prosper Rich Investments Limited ("Prosper Rich") by the Company on 11 August 2017 (the "August 2017 CBs"). The August 2017 CBs issued on 11 August 2017 have matured on 11 August 2019 and a repayment of principal amount HK$10,000,000 has been made to Huarong on 12 September 2019. The amendment and extension of term of convertible bonds issued to Huarong and Prosper Rich were completed on 7 May 2020. Following the completion, the maturity date of convertible bonds issued to Huarong and Prosper Rich have been extended to 11 August 2020. On 9 July 2020, the Company entered into a non-legally binding letter of intent with Huarong pursuant to which the parties are in the process of discussion a possible extension of the maturity date of such convertible bond. As of the date of this announcement, the discussion with Huarong of a potential extension is still ongoing. Please refer to the announcements of the Company dated 22 April 2020, 27 April 2020, 7 May 2020 and 9 July 2020 for further details.

Extension and Redemption of convertible bonds

Reference is made to the convertible bonds in the principal amount of HK$80,000,000 issued to Peaceful Wealth International Limited ("Peaceful") (the "Remaining Tranche II Convertible Bonds"). Peaceful has exercised its right to extend the maturity date of the Remaining Tranche II Convertible Bonds for one year on 12 April 2018 and for another one year on 12 April 2019. On 12 April 2020, the Company redeemed the Remaining Tranche II Convertible Bonds in full through refinancing. All the redeemed Remaining Tranche II Convertible Bonds were canceled. Please refer to the announcements of the Company dated 9 April 2017, 12 April 2017, 11 August 2017, 12 April 2018, 12 April 2019 and 14 April 2020.

Issuance of new ordinary shares

Pursuant to the announcements dated 7 February 2018 and 27 September 2019 in relation to the Sale and Purchase Agreement, pursuant to which the Company agreed to purchase, and Sure Victor agreed to sell, 100 shares in the Target for an aggregate consideration of HK$741,175,000, of which HK$287,647,000 shall be settled in cash and HK$453,528,000 shall be settled by way of allotment and issue of Consideration Shares pursuant to the Earn-out Arrangement.

On 9 October 2019, the Company issued 16,609,419 ordinary shares to Sure Victor pursuant to an agreement as disclosed in the announcement dated 9 October 2019. RMB1,498,000 and RMB70,390,000 had been transferred from contingent consideration liabilities to share capital and share premium respectively.

Liquidity and financial resources

As at 31 December 2019, the Group's cash and cash equivalents (excluding pledged deposits of RMB43.0 million) amounted to RMB64.7 million (as at 31 December 2018: RMB112.9 million).

The Group's inventories increased by RMB131.3 million to RMB563.8 million (as at 31 December 2018: RMB432.5 million). During the year ended 31 December 2019, the overall inventory turnover days of 7.5 days remains consistent compared to 7.7 days for the year ended 31 December 2018.

Trade and bills receivables increased by RMB309.7 million to RMB1,189.0 million as at 31 December 2019 (as at 31 December 2018: RMB879.3 million). Trade and bills receivables turnover days in 2019 of 15.7 days remains consistent compared to 17.4 days in 2018.

Trade and bills payables increased by RMB16.5 million to RMB559.9 million as at 31 December 2019 (as at 31 December 2018: RMB543.4 million), the payable turnover days were 8.3 days, compared to 6.6 days in 2018. Payable turnover days for the year was relatively stable as compared with last year. Furthermore, we endeavor to keep our trade and bills payables 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 increased by RMB550.7 million to RMB1,698.6 million as at 31 December 2019 (as at 31 December 2018: RMB1,147.9 million). The overall increase was mainly due to the increase in bank loans from RMB548.5 million as at 31 December 2018 to RMB1,025.1 million as at 31 December 2019.

Interest-bearing 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 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 agreed that, the entrusted loan would not be repayable until further agreed otherwise. As at 31 December 2019 and up to the date of this announcement, the negotiation was still on going.

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

	As at 31 December	
	2019	2018
Current ratio	**1.3**	1.3
Quick ratio	**1.1**	1.1
Debt to equity ratio*	**93.8%**	60.2%
Net debt to equity ratio#	**90.3%**	54.3%

* Total interest-bearing debts/Total equity

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

The current ratio and quick ratio as at 31 December 2019 were consistent with those as at 31 December 2018.

The increase in debt to equity ratio and net debt to equity ratio as at 31 December 2019 compared with those as at 31 December 2018 was mainly because of (i) the increase in interest-bearing borrowings amounted to RMB550.7 million; (ii) repayment of convertible bonds of HK$10.0 million on 12 September 2019; and (iii) the net loss for the year ended 31 December 2019.

Charge on assets

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Property, plant and equipment	**424,508**	200,649
Right-of-use assets (2018: Prepaid land lease payments)	**91,429**	86,840
Inventories	**163,566**	10,000
Trade receivables	**332,023**	–
Deposits with guarantee companies	**1,575**	4,375
Deposits with banks	**12,900**	12,900
Deposits with lessors of finance leases	**–**	4,800
Deposits with other companies	**28,507**	29,737
	1,054,508	349,301

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, 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 entered copper futures contracts to mitigate part of its exposure against price fluctuations of copper. The market value of futures contracts are 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 2019 (as at 31 December 2018: Nil). Net loss of RMB92,000 was recognized for the year ended 31 December 2019 (2018: RMB1,729,000).

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, the convertible bonds and contingent consideration liabilities, all of which are mainly denominated in HKD. The balance of cash and cash equivalents as at 31 December 2019 including HK$3.1 million and USD9,215 (in total equivalent to approximately RMB2.8 million) were held in banks in Hong Kong.

As at 31 December 2019, the Group's interest-bearing bank and other borrowings and lease liabilities were denominated in RMB but the convertible bonds were denominated in HKD, with an aggregate principal amount of HK$670.0 million. During the year ended 31 December 2018, the Group has completed the acquisitions of certain target groups, the considerations are subject to adjustment pursuant to earn-out arrangements and will be settled partly by cash considerations in HKD and partly by allotment and issue of Consideration Shares which are denominated in HKD. The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 December 2019. During the year ended 31 December 2019, the Company incurred an exchange difference on translation of financial statements of entities outside of the PRC equivalent to RMB15.3 million, part of which was resulted from translating the convertible bonds and contingent consideration liabilities from HKD 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 2019.

Material acquisitions and disposals of subsidiaries and affiliated companies

Silver Eminent Group Limited ("Silver Eminent")

On 15 December 2017, the Company entered into the Sale and Purchase Agreement with Yuanxin Ventures Limited ("Yuanxin"), pursuant to which the Company agreed to purchase, and Yuanxin agreed to sell, 100% of the issued share capital in Silver Eminent for an aggregate maximum consideration of HK$317,647,000, of which HK$158,823,500 shall be settled in cash and HK$158,823,500 shall be settled by way of allotment and issue of consideration shares. The consideration is subject to adjustment pursuant to the earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Yuanxin, 41,796,000 shares will be issued under the Sale and Purchase Agreement. Silver Eminent owns 100% equity interests in Mianyang Zhaofeng Copper Co., Ltd. ("Zhaofeng"). The transaction has been completed in March 2018. Please refer to the announcement of the Company dated 15 December 2017 and 29 December 2017 for further details.

For the years ended 31 December 2018, Silver Eminent and its subsidiaries made a net loss of RMB10,169,000 under IFRS, as such, no consideration shares were issuable to Yuanxin in 2018 under the sale and purchase agreement.

For the years ended 31 December 2019, Silver Eminent and its subsidiaries made a net profit of RMB13,190,000 under IFRS, as such, no consideration shares are issuable to Yuanxin in 2019 under the sale and purchase agreement.

The number of consideration shares for the second year to be issued, if any, is calculated on the following mathematic formula under the sale and purchase agreement:

$$(A \div B) \times (C + D \times HK\$3.8) - (C + E \times HK\$3.8)/HK\$3.8$$

A	=	actual net profits of the target for the first and second years
B	=	performance target for the first and second years, i.e. RMB55,000,000
C	=	cash consideration, i.e. HK$158,823,500
D	=	the maximum number of consideration shares to be issued for the first and second years, i.e. 25,542,000 Shares
E	=	the number of consideration shares already issued for the first year, i.e. nil Shares

Value Link Developments Limited ("Value Link")

On 7 February 2018, the Company entered into a sale and purchase agreement with Sure Victor, pursuant to which the Company agreed to purchase, and Sure Victor agreed to sell, 100% of the issued share capital in Value Link for an aggregate maximum consideration of HK$741,175,000, of which HK$287,647,000 shall be settled in cash and HK$453,528,000 shall be settled by way of allotment and issue of consideration shares. The consideration is subject to adjustment pursuant to an earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Sure Victor, 94,485,000 shares will be issued under the Sale and Purchase Agreement. Value Link owns 100% equity interests in Hubei Rongsheng Copper Co., Ltd. ("Rongsheng"). The transaction has been completed in April 2018. Please refer to the announcement of the Company dated 7 February 2018 for further details.

For the year ended 31 December 2018, Value Link and its subsidiaries made a net profit of RMB41,223,450 under IFRS, as such, 16,609,419 consideration shares were issued to Sure Victor under the sale and purchase agreement.

For the year ended 31 December 2019, Value Link and its subsidiaries made a net profit of RMB20,530,000 under IFRS, as such, no additional consideration shares will be issued to Sure Victor under the sale and purchase agreement.

The number of consideration shares for the second year to be issued, if any, is calculated on the following mathematic formula under the sale and purchase agreement:

$$(A \div B) \times (C + D \times HK\$4.8) - (C + E \times HK\$4.8)/HK\$4.8$$

A	=	actual net profits of the target for the first and second years
B	=	performance target for the first and second years, i.e. RMB105,000,000
C	=	cash consideration, i.e. HK$287,647,000
D	=	the maximum number of consideration shares to be issued for the first and second years, i.e. 55,116,000 Shares
E	=	the number of consideration shares already issued for the first year, i.e. 16,609,419 Shares

Sky Harvest Global Limited ("Sky Harvest")

On 19 October 2018, the Company entered into the Sale and Purchase Agreement with Advance Splendid Limited ("Advance Splendid"), pursuant to which the Company agreed to purchase, and Advance Splendid agreed to sell, 100% of the issued share capital in the Sky Harvest for an aggregate maximum consideration of HK$509,164,969, of which HK$180,000,000 shall be settled in cash and HK$329,164,969 shall be settled by way of allotment and issue of Consideration Shares. The consideration is subject to adjustment pursuant to an earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Advance Splendid, 65,833,000 shares will be issued under the Sale and Purchase Agreement. Sky Harvest owns 100% equity interests in Chengxin Copper Copper Co., Ltd. ("Chengxin"). The transaction has been completed in November 2018. Please refer to the announcement of the Company dated 19 October 2018, 31 October 2018 and 16 November 2018 for further details.

For the year ended 31 December 2019, Sky Harvest and its subsidiaries made a net profit of RMB5,631,000 under IFRS, as such, no consideration shares are issuable to Advance Splendid under the sale and purchase agreement.

The number of consideration shares for the first year to be issued, if any, is calculated on the following mathematic formula under the sale and purchase agreement:

$$(A \div B) \times (C + D \times HK\$5.0) - C/HK\$5.0$$

A = actual net profits of the target for the first year

B = performance target for the first year, i.e. RMB35,000,000

C = cash consideration, i.e. HK$180,000,000

D = the maximum number of consideration shares to be issued for the first year, i.e. 15,361,000 Shares

During the year ended 31 December 2019, 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 2019, the Group's capital expenditures payments represent additions to property, plant and equipment (including construction in progress) and land use rights of approximately RMB17.7 million (2018: RMB68.3 million). The capital expenditures were mainly financed from internal resources.

Capital commitments

As at 31 December 2019, 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 RMB40.4 million (as at 31 December 2018: RMB31.4 million).

Contingent liabilities

Other than the contingent consideration liabilities of three acquisitions as mentioned above, the Group had no material contingent liabilities as at 31 December 2019.

Events after the Reporting Period

(a) Since the outbreak of COVID-19 in early of 2020, PRC has implemented a series of precautionary and control measures with have certain impacts on PRC's business and economic activities. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

(b) On 25 October 2017, Fuqing Zhongjin Nonferrous Metal Materials Co., Ltd. ("Fuqing Zhongjin"), an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Sichuan Xijiulong Investment Co., Ltd. ("Sichuan Xijiulong"), pursuant to which Fuqing Zhongjin made a pre-IPO investment in Sichuan Jin Xunhuan E-commerce Trading Co., Ltd. ("JX E-commerce") by acquiring from Sichuan Xijiulong 25% equity interest in JX E-commerce for a cash consideration of RMB125,000,000. According to the sale and purchase agreement, Fuqing Zhongjin was granted a put option by Sichuan Xijiulong ("Put Option"), pursuant to which, if JX E-commerce fails to complete a qualified IPO within 3 years of the date of Completion ("IPO Deadline"), Fuqing Zhongjin has the discretion to require Sichuan Xijiulong to repurchase Fuqing Zhongjin's equity interest in JX E-commerce at any time after the expiration of such 3-year period at the consideration of RMB125,000,000. Sichuan Xijiulong shall execute an equity transfer agreement with Fuqing Zhongjin within 5 business days of receiving the written notice of exercising the Put Option from Fuqing Zhongjin. Please refer to the announcement of the Company dated 25 October 2017 for further details.

    On 27 March 2020, Fuqing Zhongjin entered into a loan agreement with Sichuan Xijiulong, pursuant to which, Sichuan Xijiulong committed to make a short term loan of RMB125,000,000 to Fuqing Zhongjin before 20 April 2020, interest rate will be based on the benchmark rate of the People's Bank of China, the term of the loan will be 7 months from 20 April 2020 to 20 November 2020. If JX E-commerce completes a qualified IPO before the IPO Deadline, Fuqing Zhongjin will repay the principal amount and interest thereof to Sichuan Xijiulong in cash on a one-off basis. If JX E-commerce fails to complete a qualified IPO before the IPO Deadline, the principal amount of the loan will be offset against the amount Sichuan Xijiulong is obligated to pay for repurchasing the 25% equity interest in JX E-commerce upon the exercise of the Put Option by Fuqing Zhongjin, and Fuqing Zhongjin will repay the interest to Sichuan Xijiulong in cash.

(c) On 13 April 2020, the Company has entered into a subscription agreement with a convertible bond holder, Peaceful. According to the subscription agreement, Peaceful subscribed for a note issued by the Company in the aggregate principal amount of HK$92,300,000, interest-bearing at 12% per annum and with a maturity date on 13 April 2021, which was settled by the outstanding liabilities owed by the Company to Peaceful under the Remaining Tranche II Convertible bonds.

(d) On 22 April 2020, the Company and the holders of August 2017 CBs entered into an amendment and extension agreements to conditionally extend the maturity date of the August 2017 CBs. The amendment and extension of term of convertible bonds issued to Huarong and Prosper Rich were completed on 7 May 2020. Following the completion, the maturing date of convertible bonds issued to Huarong and Prosper Rich have been extended to 11 August 2020. The convertible bonds issued to Huarong matured on 11 August 2020. On 9 July 2020, the Company had entered into a non legally binding letter of intent with Huarong pursuant to which the parties are in the process of discussion a possible extension of the maturity date of such convertible bond. As of the date of this announcement, the discussion with Huarong of a potential extension is still ongoing. Please refer to the announcements of the Company dated 22 April 2020, 27 April 2020 and 7 May 2020 for further details.

(e) On 28 April 2020, the Company has entered into a subscription agreement with a convertible bond holder, Prosper Rich. According to the subscription agreement, the Company would issue a note in the principal amount equivalent to the outstanding liabilities owed by the Group to Prosper Rich on the revised maturity date of the August 2017 CBs, interest-bearing at 14% per annum and due for repayment one year after the issuance date. The final execution of the note subscription is subject to the redemption or conversion of the August 2017 CBs owed to a convertible bond holder, Huarong, in the principal amount of HK$390 million upon the maturity date of 11 August 2020.

(f) Pursuant to a subscription agreement dated 14 April 2020 ("Subscription Agreement"), the Company proposed to issue 325,000,000 ordinary shares of HK$0.1 at the price of HK$2.68 per share to an independent third party, Taisei Business Solutions Pte. Ltd., a company incorporated in Singapore. The estimated net proceeds from the issue of these shares amounted to HK$840,515,000 (equivalent to RMB752,933,000).

On 6 May 2020, the Company and Taisei Business entered into an amendment letter, pursuant to which the long stop date of the Subscription Agreement is extended to 30 June 2020, and Taisei Business has agreed to place not less than HK$100,000,000 to the Company in cash as a non-refundable deposit ("Deposit") in relation to the share subscription.

Pursuant to the Subscription Agreement (and as amended by the amendment letter), the long stop date of the subscription was 30 June 2020. As the long stop date has passed, the subscription has lapsed, and the subscription will not proceed.

As at the date of this announcement, the Company has not received the Deposit from the Subscriber. The Company is in discussion with Taisei Business, and the Board is considering potential next steps. Further announcements will be made by the Company in relation to its next steps in respect of the subscription as and when appropriate in accordance with the Listing Rules.

(g) On 1 July 2020, the Company entered into a non-legally binding framework agreement with Mianyang Fule Investment Co., Ltd. ("Fule"), a state-owned enterprise in the PRC. Under the framework agreement, it is intended, among others, that Fule will subscribe for shares of the Company for a consideration of more than RMB298 million. The intended uses of the proceeds from Fule will include, but not be limited to, the repayment of advances in the principal amount of up to RMB298 million owed by the Group to Fule. On 20 July 2020, the Company and Fule entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue and Fule has conditionally agreed to subscribe for 618,490,456 shares of the Company at a price of HK$0.53 per share.

(h) On 16 July 2020, the Company has entered into a non-legally binding framework agreement with Mianyang Science Technology City Development Investment (Group) Co. Ltd ("Kefa"), a state-owned enterprise in the PRC. Under the framework agreement, it is intended, among others, that Kefa will subscribe for shares of the Company for a consideration of more than RMB300 million. The intended uses of the proceeds from Kefa will include, but not be limited to, the repayment of entrusted loans amounting to approximately RMB299 million as at 31 December 2019 owed by the Group to Kefa.

Save as disclosed above and disclosed in other sections in this annual announcement, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2019 and up to the date of this annual announcement.

Human resources

As at 31 December 2019, the Group had a total of 847 employees (2018: 864). The Group's staff costs for the year ended 31 December 2019 were approximately RMB52.7 million (2018: RMB55.2 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 maintain 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.

For a more comprehensive review, please refer to the 2019 Environmental, Social and Governance Report of the Company that will be dispatched to the shareholders of the Company and available on the website of the Company and the Stock Exchange in due course.

MAJOR CUSTOMERS AND 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: 7% of cost of sales

— five largest suppliers combined: 26% of cost of sales

Sales

— the largest customer: 17% of revenue

— five largest customers combined: 51% 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 the PRC. 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 conducted due 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.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 September 2020 to 5 September 2020, both days inclusive, during which no transfer of shares can be registered. To qualify for the attendance and voting at the annual general meeting to be held on 5 September 2020, 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 31 August 2020.

The register of members of the Company will be closed from 23 September 2020 to 28 September 2020, both days inclusive, during which no transfer of shares can be registered. To qualify for the attendance and voting at the adjourned annual general meeting, 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 22 September 2020.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The followings are extracted from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2019:

DISCLAIMER OF OPINION

We do not express an opinion on the accompanying consolidated financial statements of the Group and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters and the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

Factoring arrangement on certain trade receivables

During the year ended 31 December 2019, the Group entered into factoring agreements with a factoring company. According to the agreements, the factoring company acquired trade receivables with an aggregate amount of RMB37 million before impairment (the "Factored Trade Receivables") from the Group for a cash consideration of RMB29 million in aggregate. The Factored Trade Receivables were derived from the sales of the Group recorded in 2014 to 2018 (the "Previous Sales"). The remaining balance of RMB8 million was recovered from the management personnel of the Group's subsidiaries that were involved in the Previous Sales (the "Relevant Subsidiaries"). Management represented that those management personnel were also the sellers who sold the Relevant Subsidiaries to the Group, and they had undertaken to compensate the Group for any irrecoverable trade receivables resulting from sales made within certain period of time since the acquisition of the Relevant Subsidiaries. Those management personnel included a director and substantial shareholder of the Company, who held less than 12% of the Company's shareholding, and certain such compensation was made by his son on his behalf. In addition, we identified that as at 31 December 2019, an employee of the Group had a 16% shareholding in the factoring company and held the executive director, general manager and legal representative positions in that factoring company, and that another employee of the Group held a supervisor position in that factoring company. The Company's directors represented that they were not aware that the Group's employees had a shareholding or held positions in that factoring company when the Group entered into the factoring agreements.

For the year ended 31 December 2019, the Group recorded a reversal of provision for doubtful debts, net, amounting to RMB45 million. Included in the reversal was a reversal of the loss allowance of RMB37 million against the Factored Trade Receivables which were fully impaired in previous years.

We were unable to obtain sufficient reliable evidence to substantiate the representations made by management and ascertain the nature and the business rationale of the above collection of overdue trade receivables, which was accounted for as a settlement of the Factored Trade Receivables and a reversal of the provisions against the Factored Trade Receivables in the consolidated financial statements for the year ended 31 December 2019. Furthermore, we were unable to substantiate the explanations provided by management regarding an employee of the Group holding a 16% interest in the factoring company and certain employees of the Group holding key positions in that company.

Because of the above limitations, we were unable to satisfy ourselves as to whether the effects of the above transactions have been properly accounted for and disclosed in the consolidated financial statements including whether the Group has identified and disclosed all related party transactions in respect of the above.

Impairment assessment of goodwill and fair value measurement of contingent consideration liabilities as at 31 December 2019

Impairment assessment of goodwill as at 31 December 2019

As at 31 December 2019, the carrying amount of goodwill arising from business combinations in previous years amounted to RMB278 million, net of accumulated impairment of RMB424 million. In the preparation of the consolidated financial statements, the management of the Group has performed an impairment assessment on the cash-generating units ("CGUs") to which the goodwill belongs.

According to the Group's accounting policies, the impairment assessment is performed by comparing the CGUs' carrying amounts to the recoverable amounts. The recoverable amounts of the CGUs as at 31 December 2019 were determined by the management of the Group by reference to a valuation report prepared by an independent professional qualified valuer based on cash flow forecasts developed by the Group's management (the "Cashflow Forecasts"). As a result of the impairment assessment performed by the Group's management, an impairment of goodwill amounting to RMB408 million was recognised in profit or loss for the year ended 31 December 2019. The recoverable amounts of the CGUs have been determined by the Group's management based on value-in-use calculations. In preparing the Cashflow Forecasts, the Group's management used certain bases and assumptions, including the historical performance of the subsidiaries. Due to the lack of sufficient historical financial information and other information to support the bases and assumptions adopted by the management including but not limited to the growth rate, utilisation rate of production and gross profit margins, we were unable to assess the reasonableness of the bases and assumptions which the Group's management adopted in determining the recoverable amounts of the CGUs. Accordingly, we were unable to determine whether the recoverable amounts of the CGUs were appropriately estimated and whether the goodwill was properly stated as at 31 December 2019.

Any adjustments in respect of the Group's impairment assessment of goodwill would have a consequential impact on the Group's net assets as at 31 December 2019 and its performance for the year then ended.

Fair value measurement of contingent consideration liabilities as at 31 December 2019

As at 31 December 2019, the carrying amount of the contingent consideration liabilities measured at fair value, arising from business combinations in the prior year, amounted to RMB151 million.

The fair value of the contingent consideration liabilities was determined by the management of the Group, assisted by an independent professional qualified valuer. The contingent consideration included earn-out payments based on the future profits of the entities acquired in the following three years since the acquisitions. The contingent consideration liabilities were measured at fair value, based on a probability-weighted forecast of cash flows prepared by the management (the "Profit Forecasts"), using assumptions such as the expected performance and growth of the entities acquired, and discounted to the present value. A fair value gain due to the change in fair value of the contingent consideration liabilities amounting to RMB240 million was recognised in profit or loss for the year ended 31 December 2019. The fair value of the contingent consideration liabilities was determined by the Group's management with reference to the forecasted net profits for the three years since the acquisitions, and the profit targets agreed in the terms of the acquisitions. In preparing the Profit Forecasts, the Group's management used certain bases and assumptions, including the historical performance of the subsidiaries. Due to the lack of sufficient historical financial information and other information to support the bases and assumptions adopted by the management including but not limited to the growth rate, utilisation rate of production and gross profit margins, we were unable to assess the reasonableness of the bases and assumptions which the Group's management adopted in determining the fair value of the contingent consideration liabilities. Accordingly, we were unable to determine whether the fair value of the contingent consideration liabilities was properly stated as at 31 December 2019.

Any adjustments in respect of the Group's fair value measurement of the contingent consideration liabilities would have a consequential impact on the Group's net assets as at 31 December 2019 and its performance for the year then ended.

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group recorded a net loss of RMB217,336,000 for the year ended 31 December 2019, which included an impairment loss of goodwill of RMB407,883,000 and fair value gain of contingent consideration liabilities of RMB240,395,000. As at 31 December 2019, the Group had cash and cash equivalents amounting to RMB64,703,000, and there were interest-bearing bank and other borrowings, convertible bonds and note payables totaling RMB1,692,092,000 repayable within one year or on demand. In addition, as at 31 December 2019, the Group had defaulted on convertible bonds with an aggregate principal amount of HK$590,000,000 (approximately RMB528,522,000) and entrusted loans amounting to RMB299,116,000. The above defaults had caused a cross-default of certain other borrowings amounting to RMB166,400,000 as at 31 December 2019. These conditions, together with other matters disclosed in note 2.1, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.1. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) successfully negotiating with the Group's lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with principal and interest in default, including those with cross-default terms; (ii) successfully negotiating with the convertible bond holders for the extension of repayment dates; (iii) successfully negotiating with financial institutions and other lenders for the renewal of or extension of the repayment of borrowings; (iv) successfully carrying out the Group's business strategic plan and cost control measures so as to improve the Group's working capital and cashflow position, including but not limited to continuous collection of trade receivables and inventory level management; and (v) successfully obtaining additional funds from new sources of financing or strategic investors.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

The independent auditor's report has been included in the 2019 annual report.

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 audited consolidated financial statements of the Group for the year ended 31 December 2019.

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 2019.

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, two executive Directors and two independent non-executive Directors were not able to attend the annual general meeting of the Company held on 6 June 2019.

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 to be held on 5 September 2020 was published and dispatched to the Company's shareholders on 6 August 2020.

As the audited consolidated financial statements of the Group and the reports of the directors and of the independent auditor for the year ended 31 December 2019 could not be despatched together with the notice of annual general meeting, the resolution to consider and approve audited consolidated financial statements of the Company and the reports of the directors and of the independent auditor for the year ended 31 December 2019 will instead be transacted in an adjourned annual general meeting to be held subject to further notice.

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). The annual report for the year ended 31 December 2019 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, 21 August 2020

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.