CHINA METAL RESOURCES UTILIZATION LIMITED

中國金屬資源利用有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1636)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

AUDITED FINANCIAL HIGHLIGHTS

- Revenue decreased by 30.5% to RMB16,698.5 million, as compared to 2019.
- Gross profit margin amounted to 0.4%, as compared to a gross loss margin of 1.1% for last year.
- Impairment of goodwill amounted to RMB277.9 million in 2020, as compared to RMB407.9 million in 2019.
- Loss attributable to the owners of the Company for the year amounted to RMB387.3 million, as compared to the loss attributable to the owners of the Company of RMB217.3 million for last year.
- Loss per share for the year amounted to RMB0.15, as compared to loss per share of RMB0.08 for last year.
- Current ratio of 1.2 as at 31 December 2020, as compared to 1.3 as at 31 December 2019.
- Debt to equity ratio of 126.7% as at 31 December 2020, as compared to 93.8% as at 31 December 2019.
- The Board does not recommend the declaration of any final dividend for the year ended 31 December 2020.

RESULTS

The board (the "Board") of directors (the "Directors") of China Metal Resources Utilization Limited (the "Company") is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Renminbi)

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
REVENUE	*3*	**16,698,527**	24,012,653
Cost of sales		**(16,635,950)**	(24,270,594)
GROSS PROFIT/(LOSS)		**62,577**	(257,941)
Other income/(expenses), gain/(loss), net	*5*	**(33,320)**	350,332
Selling and distribution expenses		**(21,637)**	(30,532)
Administrative expenses		**(162,733)**	(130,046)
(Provision)/reversal of provision for doubtful debts, net		**(47,005)**	45,115
Finance costs	*7*	**(170,004)**	(147,893)
Share of loss of associates		**(754)**	(4,811)
Loss before tax	*6*	**(372,876)**	(175,776)
Income tax expense	*8*	**(14,373)**	(41,560)
Loss for the year attributable to owners of the Company		**(387,249)**	(217,336)
Other comprehensive income/(loss) after tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**43,012**	(15,335)
Items that will not be reclassified to profit or loss:			
Equity investment designated at fair value through other comprehensive income included in interests in associates:			
Changes in fair value		**–**	(9,600)
Other comprehensive income/(loss) for the year, net of tax		**43,012**	(24,935)
Total comprehensive loss for the year attributable to owners of the Company		**(344,237)**	(242,271)
Loss per share	*9*		
Basic (RMB per share)		**(0.15)**	(0.08)
Diluted (RMB per share)		**(0.15)**	(0.08)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020
(Expressed in Renminbi)

	Notes	**2020** **RMB'000**	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**563,953**	599,234
Right-of-use assets	*11*	**120,011**	122,779
Interests in associates	*12*	**67,354**	68,108
Goodwill		**–**	277,895
Prepayments, other receivables and other assets		**18,934**	24,441
Deferred tax assets		**6,493**	16,605
Total non-current assets		**776,745**	1,109,062
CURRENT ASSETS			
Inventories		**316,776**	563,799
Trade and bills receivables	*13*	**2,129,701**	1,189,037
Prepayments, other receivables and other assets		**2,354,325**	2,108,337
Derivative financial instrument		**106,306**	107,451
Amounts due from associates		**594**	15,261
Amounts due from related parties		**–**	10
Pledged deposits		**525,902**	42,982
Cash and cash equivalents		**47,321**	64,703
Total current assets		**5,480,925**	4,091,580
CURRENT LIABILITIES			
Trade and bills payables	*14*	**1,068,604**	559,892
Other payables and accruals		**1,333,347**	873,433
Note payables		**89,479**	30,457
Interest-bearing bank and other borrowings		**1,232,104**	1,025,111
Liability component of convertible bonds		**553,004**	636,524
Lease liabilities		**3,605**	3,174
Contingent consideration liabilities		**123,474**	–
Amounts due to associates		**161,583**	32,801
Amounts due to related parties		**132,600**	5,613
Tax payable		**58,852**	63,780
Total current liabilities		**4,756,652**	3,230,785
NET CURRENT ASSETS		**724,273**	860,795
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,501,018**	1,969,857

	Notes	**2020** *RMB'000*	2019 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**7,517**	3,361
Contingent consideration liabilities		**–**	151,305
Deferred government grants		**3,669**	4,007
Deferred tax liabilities		**1,697**	1,097
Total non-current liabilities		**12,883**	159,770
NET ASSETS		**1,488,135**	1,810,087
EQUITY			
Share capital	*15*	**211,741**	211,741
Reserves		**1,276,394**	1,598,346
TOTAL EQUITY		**1,488,135**	1,810,087

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 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 consolidated financial statements are presented in Renminbi ("RMB").

2. GOING CONCERN BASIS

For the year ended 31 December 2020, the Group recorded a net loss of RMB387,249,000. As at 31 December 2020, the Group had cash and cash equivalents amounted to RMB47,321,000, and there were interest-bearing bank and other borrowings, convertible bonds and note payables totalling RMB1,874,587,000 repayable within one year or on demand. In addition, as at 31 December 2020, the Group had defaulted on the repayment of convertible bonds with an aggregate principal amount of HK$590,000,000 (approximately RMB553,004,000) and entrusted loans amounted to RMB299,116,000. The above defaults may trigger cross default of certain other borrowings amounting to RMB897,388,000 as at 31 December 2020. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the results of various financial plans and measures.

In order to address the issue in relation to going concern, the Company has implemented, or is in the process of implementing various financial plans and measures to mitigate the liquidity pressure and to improve its financial position. These measures include but not limited to the following:

(i) the Company has completed the issuance of new shares to Mianyang Fule Investment Co., Ltd., a state-owned enterprise in the PRC, for a consideration of approximately RMB263.3 million, on 18 March 2021;

(ii) the proposed subscription for the Company's new shares by Mianyang Science Technology City Development Investment (Group) Co. Ltd for a consideration of more than RMB300 million;

(iii) the proposed extension and/or refinance of the convertible bonds issued to China Huarong International Holdings Limited and Prosper Rich Investments Limited with an aggregate principal amount of HKD590 million;

(iv) liaisons with banks/financial institutions from which the Group has borrowings with repayment dates beyond 2021 and if necessary, to obtain confirmations that there has been no event to trigger the call provision, if any, as stipulated in the relevant loan agreements;

(v) liaisons with banks/financial institutions from which the Group has borrowings to renew or extend the existing liabilities;

(vi) if necessary, reduction of scale of the Group's operations so as to, on one hand, reduce its size of inventory, trade receivables and other receivables and, on the other hand, increase its level of cash; and

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

The directors of the Company are of the opinion that the proceed of RMB263.6 million from the placing on 18 March 2021, future cash flow generated from operation together with the financial plans and measures will be sufficient to repay liabilities. The directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value 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 liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.1 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.

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

2.3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("IAS") and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

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:

	2020	2019
	RMB'000	*RMB'000*
Revenue from trading of electrolytic copper *(Note)*	**8,516,219**	16,715,910
Sales of recycled copper products	**7,990,892**	7,183,657
Sales of power transmission and distribution cables	**32,790**	32,022
Sales of communication cables	**136,224**	28,033
Sales of scrap materials	**19,546**	48,596
Others	**2,856**	4,435
	16,698,527	24,012,653

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.

Disaggregated revenue information

	2020			
	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	**8,516,219**	**–**	**–**	**8,516,219**
Sales of recycled copper products	**7,990,892**	**–**	**–**	**7,990,892**
Sales of power transmission and distribution cables	**–**	**32,790**	**–**	**32,790**
Sales of communication cables	**–**	**–**	**136,224**	**136,224**
Sales of scrap materials	**19,546**	**–**	**–**	**19,546**
Others	**2,856**	**–**	**–**	**2,856**
	16,529,513	**32,790**	**136,224**	**16,698,527**

	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

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.

	2020			
	Recycled copper products *RMB'000*	**Power transmission and distribution** *RMB'000*	**Communication cables** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Sales to external customers	16,529,513	32,790	136,224	16,698,527
Intersegment sales	398,198	17,117	8,591	423,906
	16,927,711	49,907	144,815	17,122,433
Reconciliation:				
Elimination of intersegment sales				(423,906)
Revenue				16,698,527
Segment results	102,081	(7,453)	(8,183)	86,445
Reconciliation:				
Interest income	14,633	7	3	14,643
Impairment of goodwill				(277,895)
Changes in fair value of contingent consideration liabilities				20,010
Changes in fair value of derivative financial instrument				(1,145)
Corporate and other unallocated expenses				(109,657)
Finance costs	(98,617)	(3,489)	(2,417)	(104,523)
Share of losses of associates				(754)
Loss before tax				(372,876)
Other segment information				
Depreciation and amortisation	(39,071)	(9,055)	(2,943)	(51,069)
VAT refunds, government grants and subsidies	227,851	365	529	228,745
Provision for doubtful debts, net	(44,528)	(2,330)	(147)	(47,005)

	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)
Other segment information				
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

(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:

	2020 *RMB'000*	2019 *RMB'000*
Recycled copper products segment		
Customer A*	–	4,185,714
Customer B	**2,398,991**	2,988,479
Customer C	**3,308,727**	2,701,202
	5,707,718	9,875,395

* Customer A has less than 10% of the Group's revenue for the year ended 31 December 2020.

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

	Notes	2020 RMB'000	2019 RMB'000
VAT refunds			
— Comprehensive utilisation of resources	*(i)*	**149,172**	210,162
— Others		**1,028**	2,354
Government grants	*(ii)*	**59,054**	149,427
Government subsidies	*(iii)*	**19,491**	150,256
Interest income		**14,648**	436
Net loss on copper futures contracts upon settlement		**(288)**	(92)
Foreign exchange differences, net		**7,275**	(876)
Loss on disposal of items of property, plant and equipment		**–**	(285)
Written-off of property, plant and equipment		**(30)**	–
Loss on modification of convertible bonds		**(22,654)**	–
Impairment of goodwill		**(277,895)**	(407,883)
Impairment of right-of-use assets		**(3,291)**	–
Changes in fair value of contingent consideration liabilities		**20,010**	240,395
Impairment of interests in associates		**–**	(102,129)
Changes in fair value of derivative financial instrument		**(1,145)**	107,451
Others		**1,305**	1,116
		(33,320)	350,332

Notes:

(i) The Group is entitled to government grants for refunds of 30% for the year ended 31 December 2020 (2019: 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 2020, the Group was granted unconditional government subsidies of RMB19,491,000 (2019: RMB150,256,000) 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 LOSS BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Cost of sales *(Note)*	**16,635,950**	24,270,594
Depreciation of property, plant and equipment	**48,143**	45,857
Depreciation of right-of-use assets	**7,108**	7,758
Research and development costs	**1,819**	3,377
Auditor's remuneration	**3,000**	6,372
Provision for inventories*	**137**	3,059
Provision/reversal of provision for doubtful debts, net	**47,005**	(45,115)
Loss on disposal of items of property, plant and equipment#	**–**	285
Written-off of property, plant and equipment#	**30**	–
Loss on modification of convertible bonds#	**22,654**	–
Impairment loss of goodwill#	**277,895**	407,883
Impairment loss on right of use assets#	**3,291**	–
Changes in fair value of contingent consideration liabilities#	**(20,010)**	(240,395)
Impairment of interests in associates#	**–**	102,129
Changes in fair value of derivative financial instrument#	**1,145**	(107,451)
Foreign exchange differences, net#	**(7,275)**	876
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**41,282**	45,665
Pension scheme contributions	**2,960**	6,119
Equity-settled share option expense	**–**	873
	44,242	52,657

* 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 and other comprehensive income.

Note: Cost of sales includes RMB32,385,000 (2019: RMB57,192,000) 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:

	2020	2019
	RMB'000	*RMB'000*
Interest expenses in relation to:		
— Bank and other borrowings	**107,793**	74,013
— Lease liabilities	**1,689**	1,942
— Convertible bonds	**58,009**	71,881
Guarantee fees and other charges	**2,513**	57
	170,004	147,893

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 (2019: Nil).

The subsidiaries of the Group in the PRC are subject to income tax at the rate of 25% (2019: 25%). In year 2020, 4 subsidiaries (2019: 2) were given the New/High Tech Enterprise Award and 3 subsidiaries (2019: 1) were 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 2020 and 2019.

	2020	2019
	RMB'000	*RMB'000*
Current — the PRC		
Charge for the year	**3,601**	36,369
Underprovision in prior years	**60**	1,061
	3,661	37,430
Deferred	**10,712**	4,130
	14,373	41,560

9 LOSS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2020	2019
	RMB'000	*RMB'000*
Loss:		
Loss attributable to owners of the Company for the purpose of calculating basic earnings per share	**(387,249)**	(217,336)

	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,665,486,490**	2,643,658,030
Basic loss per share	**(0.15)**	(0.08)

On 15 June 2018, the Company, certain suppliers of the Group (the "Suppliers") and the relevant subscribers (the "Subscribers") entered into an annual procurement agreement (the "Annual Procurement Agreement"), pursuant to which each of the Suppliers agreed to supply a targeted amount of copper scrap raw materials to the Group from 16 June 2018 to 15 June 2019, the purchase price of which shall be partly satisfied with cash and partly satisfied with consideration shares (the "Consideration Shares"). Based on the copper scrap raw materials supplied to the Group, 33,882,652 Consideration Shares was allotted and issued on 1 March 2021 to the Subscribers. The calculation of loss per shares for the year ended 31 December 2020 and 31 December 2019 has taken into account the Consideration Shares to be issued by the Company to the Subscribers.

Diluted loss per share

As the Group's outstanding convertible bonds for both years would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding warrants, share options and contingent consideration shares, no diluted earnings per share was presented in both years

10 DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

11 LEASES AND RIGHT OF USE ASSET

Leases and right-of-use assets

	2020	2019
	RMB'000	*RMB'000*
At 31 December:		
Right-of-use assets		
— Properties	**6,681**	2,198
— Land-use-rights	**109,947**	116,831
— Plant and machinery	**3,383**	3,750
	120,011	122,779

At 31 December 2020, right-of-use assets with an aggregate carrying amount of RMB91,499,000 (2019: RMB91,429,000) were pledged to secure general banking facilities granted to the Group.

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

	2020	2019
	RMB'000	*RMB'000*
Less than 1 year	**5,198**	4,855
Between 1 and 2 years	**5,198**	2,160
Between 2 and 5 years	**3,705**	3,778
	14,101	10,793
Depreciation charge of right-of-use assets		
— Properties	**2,591**	3,228
— Land-use-rights	**3,593**	3,570
— Plant and machinery	**924**	960
	7,108	7,758
Impairment loss of right-of-use assets		
— Land-use-rights	**3,291**	–
Lease interests	**1,689**	1,942
Total cash outflow for leases	**5,362**	5,969
Additions to right-of-use assets	**8,260**	598

The Group leases various land use rights, land and buildings and motor vehicles. Lease agreements are typically made for fixed periods of 2 to 20 years (2019: 2–20 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

During 2020, due to operating loss in the Group's business, the Group tested related cash generating units ("CGUs") for impairment. The reviews led to the recognition of an impairment loss of land-use-rights of RMB3,291,000 (2019: RMBnil), that has been recognised in "Other income/(expenses), gain/(loss), net" in the consolidated statement of profit or loss. The recoverable amount of the relevant assets of RMB40,317,000 has been determined on the basis of its fair value less costs of disposal (level 3 fair value measurements).

12 GOODWILL

	RMB'000
Cost	
At 1 January 2019, 31 December 2019 1 January 2020 and 31 December 2020	701,859
Accumulated impairment losses	
At 1 January 2019	16,081
Impairment loss recognised in the current year	407,883
At 31 December 2019 and 1 January 2020	423,964
Impairment loss recognised in the current year	277,895
At 31 December 2020	701,859
Carrying amount	
At 31 December 2020	–
At 31 December 2019	277,895

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	Carrying amount At 1 January 2019 *RMB'000*	Impairment loss recognised in the current year 2019 *RMB'000*	Carrying amount At 31 December 2019 and 1 January 2020 *RMB'000*	Impairment loss recognised in the current year 2020 *RMB'000*	Carrying amount At 31 December 2020 *RMB'000*
Recycled copper products					
— Xiangbei	22,766	–	22,766	(22,766)	–
— Baohe Xinshiji	213	–	213	(213)	–
— Baohe Taiyue	248	–	248	(248)	–
— Zhaofeng	63,564	–	63,564	(63,564)	–
— Rongsheng	290,977	(289,782)	1,195	(1,195)	–
— Chengxin	308,010	(118,101)	189,909	(189,909)	–
	685,778	(407,883)	277,895	(277,895)	–

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 0% (2019: 0%). This rate does not exceed the average long-term growth rate for the relevant markets.

The cash flows are discounted using pre-tax discount rates from approximately 11% to 17.56% at 31 December 2020 (2019: 8.33–9%)

At 31 December 2020, before impairment testing, goodwill were allocated as above. Due to changes in market condition, the Group has revised its cash flow forecasts for these CGUs. The goodwill allocated to the CGUs have therefore been reduced to its recoverable amount of RMBnil respectively through recognition of an impairment loss against goodwill of RMB277,895,000 (2019: 407,883,000) during the year.

13 TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**2,250,610**	1,272,188
Impairment	**(131,231)**	(84,226)
	2,119,379	1,187,962
Bills receivables	**10,322**	1,075
	2,129,701	1,189,037

Notes:

(i) 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 0 to 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.

(ii) As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "Factoring Arrangement") and transferred certain trade receivables to a financial institution. Under the Factoring 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. Factoring loan is recognised for any consideration received for the Factoring Arrangement. The carrying amount of the assets that the Group continued to recognise as at 31 December 2020 was RMB593,183,000 (2019: RMB332,023,000) and that of the associated liabilities as at 31 December 2020 was RMB467,000,000 (2019: RMB261,100,000).

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:

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**1,316,009**	760,171
31 to 60 days	**79,668**	135,710
61 to 180 days	**376,102**	140,831
Over 180 days	**357,922**	152,325
	2,129,701	1,189,037

14 TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**542,894**	534,092
Bills payables	**525,710**	25,800
	1,068,604	559,892

The bills payable is secured by the pledge of the time deposits of the Group amounting to RMB494,420,000 (2019: RMB12,900,000).

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:

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**650,531**	78,738
31 to 60 days	**115,850**	453,224
61 to 180 days	**169,517**	9,154
Over 180 days	**132,706**	18,776
	1,068,604	559,892

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

15 SHARE CAPITAL

Authorised and Issued Share Capital

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

	Note	Number of shares	RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020		100,000,000,000	8,071,000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2019		2,614,994,419	210,244
Issuance of ordinary shares	*(a)*	16,609,419	1,497
At 31 December 2019, 1 January 2020 and 31 December 2020		2,631,603,838	211,741

Note:

(a) On 9 October 2019, the Company issued 16,609,419 ordinary shares at HK$4.80 each to Sure Victor Global Limited ("**Sure Victor**"), a seller of a subsidiary acquired in the prior year, under the earn-out arrangement. RMB1.497,000 and RMB70,390,000 had been transferred from contingent consideration liabilities to share capital and share premium respectively.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

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 2020:

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (" IFRSs ") issued by the International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

(1) Goodwill

We were unable to abtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of goodwill amounted to approximately RMB277,895,000 as at 31 December 2019. The Group recognised impairment losses on goodwill of approximately RMB277,895,000 and RMB407,883,000 for the year ended 31 December 2020 and 31 December 2019 respectively. We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to these impairment losses on goodwill and whether these impairment losses on goodwill should be recognised in current or prior years.

(2) Contingent consideration liabilities

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of contingent consideration liabilities amounted to approximately RMB151,305,000 as at 31 December 2019. The Group recognised the following changes in fair values, interest expenses and exchange differences in respect of contingent consideration liabilities for the year ended 31 December 2020 and 31 December 2019. We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to these changes in fair values, interest expenses and exchange differences should be recognised in current or prior years.

	2020	2019
	RMB'000	*RMB'000*
Changes in fair values on contingent consideration liabilities recognised	**20,010**	240,395
Interest expenses recognised in profit or loss	**–**	(9,173)
Exchange differences recognised in other comprehensive income	**7,936**	8,083

Any adjustments to the figures as described above might have a consequential effect on the Group's consolidated financial performance and consolidated cash flows for the years ended 31 December 2020 and 2019, the consolidated financial position of the Group as at 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements, which mentioned that the Group recorded a net loss of approximately RMB387,249,000 for the year ended 31 December 2020, which included an impairment loss on goodwill of approximately RMB277,895,000. As at 31 December 2020, the Group had cash and cash equivalents amounting to approximately RMB47,321,000, and there were interest-bearing bank and other borrowings, convertible bonds and note payables totalling RMB1,874,587,000 repayable within one year or on demand. In addition, as at 31 December 2020, the Group had defaulted on the repayment of convertible bonds amounted to approximately RMB553,004,000 and entrusted loans amounted to approximately RMB299,116,000. The above defaults may trigger cross-default of certain other borrowings amounting to approximately RMB897,388,000 as at 31 December 2020. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the results of various financial plans and measures implemented by the Group. Our opinion is not modified in respect of this matter.

The independent auditor's report will be included in the 2020 annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Coronavirus Disease 2019 ("COVID-19") pneumonia epidemic has caused a major impact on the world economy in 2020, creating one of the biggest challenges after the Great Depression. The decline in industrial production across China has led to a significant reduction in the demand for basic raw materials, especially metal materials. Therefore, the Group recorded a decrease in copper product sales by 30.9% in 2020 as compared to 2019. Along with the decrease in production and sales volume of recycled copper products, VAT refunds under the Comprehensive Utilisation of Resources Policy also recorded a corresponding decrease in 2020. In addition, the tight liquidity situation of customers has prolonged the aging of trade receivables, and as such, the bad debt provision ratio has also increased accordingly. Subsidiaries acquired in recent years have also suffered unsatisfactory performance due to severe delays in production by their customers in 2020, hence, the Group made a larger amount of goodwill impairment accordingly. In this difficult environment, the Group recorded a net loss of approximately RMB387.2 million in 2020.

FUTURE PROSPECTS/OUTLOOK

Despite the severe economic impact of COVID-19, China's GDP still managed to grow 2.3% in 2020 which was largely due to significant rebound in economic growth in Q4 2020. With the COVID-19 situation in China generally under control, together with the roll out of COVID-19 vaccines, we expect China's economy to continue to improve.

We have been and continue working hard in restructuring our financing and shareholding structure. One such restructuring is complete, we expect to be able to take advantage of an improved economy to achieve better operational and financial performance. At this critical moment, the Group just completed the new issuance of shares to Mianyang Fule Investment Co., Ltd.* (綿陽富樂投資有限公司) ("Fule"), a state-owned enterprise ("SOE") in Sichuan Province. With Fule as the Group's single largest shareholder, the management expects to better consolidate its business and strengthen its financial positions. In addition, with the market expectation of China's monetary policy to remain loose in 2021, we are hopeful that our customers' liquidity will improve and therefore will benefit our cash flow situation.

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.

	2020	2019
	RMB'000	*RMB'000*
Revenue from trading of electrolytic copper *(Note)*	**8,516,219**	16,715,910
Sales of recycled copper products	**7,990,892**	7,183,657
Sales of power transmission and distribution cables	**32,790**	32,022
Sales of communication cables	**136,224**	28,033
Sales of scrap materials	**19,546**	48,596
Others	**2,856**	4,435
	16,698,527	24,012,653

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 2020 amounted to RMB16,698.5 million, representing a decrease of 30.5% from RMB24,012.7 million for the year ended 31 December 2019. The decrease in sales volume was principally from the decrease in trading of electrolytic copper, which was mainly due to the suspension of operation as a result of COVID-19.

Revenue from trading of electrolytic copper amounted to RMB8,516.2 million for the year ended 31 December 2020, representing a decrease of 49.1% from RMB16,715.9 million for the year ended 31 December 2019. It was mainly a decrease of 45.6% in the sales volume of electrolytic copper from 397,327 metric tons for the year ended 31 December 2019 to 216,325 metric tons for the year ended 31 December 2020, with a decrease of 6.4% in average selling price from RMB42,071 per ton for the year ended 31 December 2019 to RMB39,368 per ton for the year ended 31 December 2020.

Revenue from recycled copper products amounted to RMB7,990.9 million for the year ended 31 December 2020, representing an increase of 11.2% from RMB7,183.7 million for the year ended 31 December 2019. It was mainly an increase of 7.3% in the sales volume of recycled copper products from 171,228 metric tons for the year ended 31 December 2019 to 183,742 metric tons for the year ended 31 December 2020, with an increase of 3.6% in average selling price from RMB41,954 per ton for the year ended 31 December 2019 to RMB43,488 per ton for the year ended 31 December 2020.

Cost of sales

Cost of sales for the year ended 31 December 2020 totaled RMB16,636.0 million, representing a decrease of 31.5% from RMB24,270.6 million for the year ended 31 December 2019.

Gross profit/(loss)

Our gross profit was RMB62.6 million for the year ended 31 December 2020, as compared to the gross loss of RMB257.9 million for the year ended 31 December 2019. Our gross profit margin for the year ended 31 December 2020 was 0.4%, as compared to a gross loss margin of 1.1% for the year ended 31 December 2019.

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

Our other expenses and loss for the year ended 31 December 2020 were RMB33.3 million as compared to other income and gain RMB350.3 million for the year ended 31 December 2019. The decrease in 2020 was primarily attributed to the decrease in government subsidies and grants and VAT refunds under Comprehensive Utilisation of Resources Policy amounted to RMB283.5 million and the recognition of fair value of derivative financial instruments amounted to RMB102.1 million in 2019.

Selling and distribution expenses

Our selling and distribution expenses for the year ended 31 December 2020 were RMB21.6 million, representing a decrease of 29.2% from RMB30.5 million for the year ended 31 December 2019. The increase was mainly due to the expansion of operations in 2020.

Administrative expenses

Our administrative expenses for the year ended 31 December 2020 were RMB162.7 million, representing an increase of 25.1% from RMB130.0 million for the year ended 31 December 2019. The increase was primarily due to the increase in depreciation expenses by RMB19.6 million during the period of suspension of operation.

Finance costs

Our finance costs for the year ended 31 December 2020 were RMB170.0 million, representing an increase of 14.9% from RMB147.9 million for the year ended 31 December 2019. 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 2020 amounted to RMB1,885.7 million, representing an increase of RMB187.1 million from RMB1,698.6 million as at 31 December 2019.

Loss for the year

Our loss for the year ended 31 December 2020 was RMB387.2 million as compared to the loss of RMB217.3 million for the year ended 31 December 2019. The increase in loss is mainly attributable to the substantial increase in provision for doubtful debts amounting to RMB47.0 million and substantial decrease in VAT refunds, government grants and subsidies amounting to RMB283.5 million. The increase in loss is also contributed by additional loss on goodwill impairment in the Year 2020 amounting to RMB277.9 million caused by tighter liquidity situation of our customers, decrease in volume of our sales transactions and the detrimental impact of COVID-19 on the economy.

Capital structure

As at 31 December 2020, 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 the reporting period:

	As at 31 December 2020		As at 31 December 2019	
	Weighted average effective interest rate	**Amount**	Weighted average effective interest rate	Amount
	%	***RMB'000***	%	*RMB'000*
				(restated)
Fixed rate borrowings:				
Note payables	**12.12**	**89,479**	13.00	30,457
Interest-bearing bank and other borrowings	**7.40**	**1,232,104**	7.19	1,025,111
Lease liabilities	**16.01**	**11,122**	38.81	6,535
Liability component of convertible bonds	**12.00**	**553,004**	12.00	636,524
Total fixed rate borrowings		**1,885,709**		1,698,627

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

	As at 31 December 2020				
	Note payables	**Interest-bearing bank and other borrowings**	**Lease liabilities**	**Liability component of convertible bonds**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Within one year or repayable on demand	**89,479**	**1,232,104**	**3,605**	**553,004**	**1,878,192**
After one year but less than two years	**–**	**–**	**3,887**	**–**	**3,887**
After two years but less than five years	**–**	**–**	**3,630**	**–**	**3,630**
	89,479	**1,232,104**	**11,122**	**553,004**	**1,885,709**

	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

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 of 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 discussing a possible extension of the maturity date of such convertible bonds. 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.

Liquidity and financial resources

As at 31 December 2020, the Group's cash and cash equivalents (excluding pledged deposits of RMB525.9 million) amounted to RMB47.3 million (as at 31 December 2019: RMB64.7 million).

The Group's inventories decreased by RMB247.0 million to RMB316.8 million (as at 31 December 2019: RMB563.8 million). During the year ended 31 December 2020, the overall inventory turnover days of 9.7 days remained consistent compared to 7.7 days for the year ended 31 December 2019.

Trade and bills receivables increased by RMB940.7 million to RMB2,129.7 million as at 31 December 2020 (as at 31 December 2019: RMB1,189.0 million). Trade and bills receivables turnover days in 2020 of 36.3 days increased compared to 15.7 days in 2019. The increase in trade and bills receivables turnover days is mainly due to the tight liquidity situation of customers as a result of the effect of COVID-19.

Trade and bills payables increased by RMB508.7 million to RMB1,068.6 million as at 31 December 2020 (as at 31 December 2019: RMB559.9 million), the payable turnover days were 17.9 days, compared to 8.3 days in 2019. Payable turnover days for the year increased 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 RMB187.1 million to RMB1,885.7 million as at 31 December 2020 (as at 31 December 2019: RMB1,698.6 million). The overall increase was mainly due to the increase in bank loans from RMB1,025.1 million as at 31 December 2019 to RMB1,232.1 million as at 31 December 2020.

Bank loans and other borrowings included three entrusted loans totalling approximately RMB300.0 million from Mianyang Science Technology City Development Investment (Group) Co., Ltd. ("Kefa"). Pursuant to the entrusted loan agreement signed among Mianyang Tongxin Copper Co., Ltd. ("Tongxin"), a wholly owned subsidiary of the Company, Kefa and the entrusted bank, the entrusted loans expired on 27 August 2016, 23 September 2016 and 18 November 2016 respectively. Kefa, the entrusted bank and Tongxin have agreed that, the entrusted loan would not be repayable until further agreed otherwise. On 16 July 2020, the Company 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 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 2020 owed by the Group to Kefa. As of the date of this announcement, the discussion with Kefa of the potential subscription for shares is still ongoing

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

	As at 31 December	
	2020	2019
Current ratio	**1.2**	1.3
Quick ratio	**1.1**	1.1
Debt to equity ratio*	**126.7%**	93.8%
Net debt to equity ratio#	**123.5%**	90.3%

* 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 2020 were consistent with those as at 31 December 2019.

The increase in debt to equity ratio and net debt to equity ratio as at 31 December 2020 compared with those as at 31 December 2019 was mainly because of (i) the increase in interest-bearing borrowings amounted to RMB187.1 million; and (ii) the net loss for the year ended 31 December 2020.

Charge on assets

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Property, plant and equipment	**332,548**	424,508
Right-of-use assets	**91,499**	91,429
Inventories	**164,951**	163,566
Trade receivables	**593,183**	332,023
Deposits with guarantee companies	**1,575**	1,575
Deposits with banks	**494,420**	12,900
Deposits with lessors of finance leases	**16**	–
Deposits with other companies	**29,891**	28,507
	1,708,083	1,054,508

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 2020 (as at 31 December 2019: Nil). Net loss of RMB288,000 was recognized for the year ended 31 December 2020 (2019: RMB92,000).

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 2020 including HK$1.9 million and USD5,487 (in total equivalent to approximately RMB1.6 million) were held in banks in Hong Kong.

As at 31 December 2020, 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 2020. During the year ended 31 December 2020, the Company incurred an exchange difference on translation of financial statements of entities outside of the PRC equivalent to RMB43.0 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 2020.

Material acquisitions and disposals of subsidiaries and affiliated companies

Silver Eminent Group Limited ("Silver Eminent")

On 15 December 2017, the Company entered into a 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 announcements of the Company dated 15 December 2017 and 29 December 2017 for further details.

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

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

For the year ended 31 December 2020, Silver Eminent and its subsidiaries made a net profit of approximately RMB1,442,000 under IFRS, and as such, no consideration shares are issuable to Yuanxin in 2020 under the sale and purchase agreement.

The number of consideration shares for the third 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, second and third years

B = performance target for the first, second and third years, i.e. RMB90,000,000

C = cash consideration, i.e. HK$158,823,500

D = the maximum number of consideration shares to be issued for the first, second and third years, i.e. 41,796,000 shares

E = the number of consideration shares already issued for the first and second years, i.e. nil Shares

In addition, Yuanxin will unconditionally waive its rights and release the obligations of Zhaofeng under the facility of approximately HK$79,412,000 and accrued interest thereof under the sale and purchase agreement.

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, and 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, and as such, no additional consideration shares were issued to Sure Victor under the sale and purchase agreement.

For the year ended 31 December 2020, Value Link and its subsidiaries made a net profit of approximately RMB24,547,000 under IFRS, and 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 third year to be issued, if any, is calculated on the following mathematic formula under the sale and purchase agreement:

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

A = actual net profits of the target for the first, second and third years

B = performance target for the first, second and third years, i.e. RMB180,000,000

C = cash consideration, i.e. HK$287,647,000

D = the maximum number of consideration shares to be issued for the first, second and third years, i.e. 94,485,000 share

E = the number of consideration shares already issued for the first and second years, i.e. 16,609,419 share

In addition, Sure Victor will unconditionally waive its rights and release the obligations of Rongsheng under the facility of approximately HK$12,018,000 and accrued interest thereof under the sale and purchase agreement.

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 announcements 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, and as such, no consideration shares were issuable to Advance Splendid under the sale and purchase agreement.

For the year ended 31 December 2020, Sky Harvest and its subsidiaries made a net loss of approximately RMB596,000 under IFRS, and as such, no consideration shares are issuable to Advance Splendid 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:

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

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

B = performance target for the first and second years, i.e. RMB85,000,000

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

D = the maximum number of consideration shares to be issued for the first and second years, i.e. 37,305,000 share

Disposal of 25% equity interest in Sichuan Jin Xunhuan E-commerce Trading Co., Ltd. ("JX E-Commerce") by exercising the put option

Reference is made to the announcement of the Company dated 25 October 2017, in relation to the equity transfer agreement, pursuant to which Fuqing Zhongjin Nonferrous Metal Materials Co., Ltd. ("Fuqing Zhongjin", an indirect wholly-owned subsidiary of the Company), acquired the relevant interest in JX E-commerce from Sichuan Xijiulong Investment Co., Ltd. ("Sichuan Xijiulong"). Under the equity transfer agreement, Sichuan Xijiulong also granted Fuqing Zhongjin the put option to require Sichuan Xijiulong to purchase back the relevant interest from Fuqing Zhongjin, if JX E-Commerce fails to complete a qualified initial public offering ("IPO") within 3 years of the date of the completion of the repurchase agreement, at any time after the expiration of such 3-year period, at the consideration of RMB125,000,000, which equals to the acquisition consideration of the relevant interest by Fuqing Zhongjin under the equity transfer agreement. As at 6 November 2020, on which 3 years have expired since the completion date, JX E-Commerce did not complete any qualified IPO.

On 9 November 2020, the Board announced that the repurchase agreement was entered into between Fuqing Zhongjin and Sichuan Xijiulong, pursuant to which Fuqing Zhongjin conditionally agreed to sell and transfer, and Sichuan Xijiulong conditionally agreed to purchase the relevant interest at the consideration of RMB125,000,000 pursuant to the put option. Completion is conditional upon obtaining the approval of the independent shareholders to the repurchase agreement and all transactions contemplated thereunder in compliance with the Listing Rules, and compliance with other requirements of the Listing Rules applicable to the repurchase agreement and all transactions contemplated thereunder.

During the year ended 31 December 2020, 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 2020, the Group's capital expenditures payments represent additions to property, plant and equipment (including construction in progress) and land use rights of approximately RMB16.9 million (2019: RMB17.7 million). The capital expenditures were mainly financed from internal resources.

Capital commitments

As at 31 December 2020, 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 RMB28.0 million (as at 31 December 2019: RMB40.4 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 2020.

Events after the Reporting Period

(a) On 15 June 2018, the Company, each of the relevant suppliers and each of the relevant subscribers entered into an annual procurement agreement, pursuant to which each of the suppliers agreed to supply a targeted amount of copper scrap raw materials to the Group from 16 June 2018 to 15 June 2019, the purchase price of which shall be partly satisfied with cash and partly satisfied with consideration shares. On 4 January 2021, the Company and the relevant subscribers had entered into the supplemental subscription agreement.

    On 1 March 2021, pursuant to the supplemental annual procurement agreements, based on the copper scrap raw materials supplied to the Group, 33,882,652 consideration shares were allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the shareholders passed at the annual general meeting held on 5 September 2020.

(b) On 18 March 2021, 618,490,566 ordinary shares were allotted and issued at HK$0.465 each to Fule pursuant to the specific mandate granted at the extraordinary general meeting held on 26 February 2021. The aggregate subscription price for all 618,490,566 subscription shares amounted to HK$287,598,113 (equivalent to RMB261,452,830) was settled by Fule by way of set-off against the outstanding liabilities owed by the Group to the Fule.

Save as disclosed above and disclosed in other sections in this annual results announcement, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2020 and up to the date of this annual results announcement.

Human resources

As at 31 December 2020, the Group had a total of 729 employees (2019: 847). The Group's staff costs for the year ended 31 December 2020 were approximately RMB44.2 million (2019: RMB52.7 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 demonstrated by employing disabled staff and providing appropriate working conditions and protection to them.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

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

The Group is operating in the environmental protection industry by virtue of recycling scrap metal materials in the society. Contributing to resolving a significant part of pollution problem in the vicinity of our plants, the Group is highly praised and encouraged by the local governments. The Group also advocated conservation of resources in the 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 2020 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: 8% of cost of sales

— five largest suppliers combined: 30% of cost of sales

Sales

— the largest customer: 20% of revenue

— five largest customers combined: 52% 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) has 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 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 June 2021 to 18 June 2021, 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 18 June 2021, 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 11 June 2021.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

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 2020.

The Board, as concurred by the Audit Committee, is of the view that the inability of ZHONGHUI ANDA CPA Limited to obtain sufficient appropriate audit evidence as described above is a historical event and would only affect the financial information of the consolidated financial statements for the year ended 31 December 2020 to the extent described above under the section headed "Basis for Qualified Opinion", which would have affected the opening balances as of 1 January 2020. The Board does not expect the basis of the qualified opinion relating to the recoverability of goodwill and the carrying amount of contingent consideration liabilities to affect the opening balances of the financial year immediately subsequent to the year ended 31 December 2020 (i.e. 1 January 2021) and hence the Board does not expect the above to recur in the consolidated financial statements for the year ended 31 December 2021 and onwards except the financial information to be shown as comparative figures.

The Audit Committee has reviewed and agreed with the views and concerns of the independent auditor with respect to the qualified opinion issued in relation to the consolidated financial statements of the Group for the year ended 31 December 2020. The Audit Committee noted that the Board has undertaken or in the progress of implementing measures to improve the Group's liquidity and financial position. The Audit Committee has reviewed and agreed with the Board's position and has discussed with the independent auditor.

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 during the year ended 31 December 2020.

CORPORATE GOVERNANCE

For the year ended 31 December 2020, the Company was in compliance with the code provisions of the Corporate Governance Code (the "CG 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.

Pursuant to C.1.3 of the CG Code, the Directors acknowledge their responsibilities for preparing the financial statement, which give true and fair view of the Group. The Directors are aware that the Group recorded a net loss of RMB387,249,000 for the year ended 31 December 2020, which included an impairment of goodwill of RMB277.9 million and fair value gain of contingent consideration liabilities of RMB20,010,000. As at 31 December 2020, the Group had cash and cash equivalents amounted to RMB47,321,000, and there were interest-bearing bank and other borrowings, convertible bonds and note payables totalling RMB1,878,192,000 repayable within one year or on demand. In addition, as at 31 December 2020, the Group had defaulted on the convertible bonds amounted to RMB553,004,000 and entrusted loans amounted to RMB299,116,000. The above defaults may trigger cross default of certain other borrowings amounting to RMB897,388,000 as at 31 December 2020. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company has implemented various financial plans and measures to address the issue in relation to going concern, including but not limited to:

(i) the Company has completed the issuance of new shares to Mianyang Fule Investment Co., Ltd., a state-owned enterprise in the PRC, for a consideration of approximately RMB263.3 million, on 18 March 2021;

(ii) the proposed subscription for the Company's new shares by Mianyang Science Technology City Development Investment (Group) Co. Ltd for a consideration of more than RMB300 million;

(iii) the proposed extension and/or refinance of the convertible bonds issued to China Huarong International Holdings Limited and Prosper Rich Investments Limited with an aggregate principal amount of HKD590 million;

(iv) liaisons with banks/financial institutions from which the Group has borrowings with repayment dates beyond 2021 and if necessary, to obtain confirmations that there has been no event to trigger the call provision, if any, as stipulated in the relevant loan agreements;

(v) liaisons with banks/financial institutions from which the Group has borrowings to renew or extend the existing liabilities;

(vi) if necessary, reduction of scale of the Group's operations so as to, on one hand, reduce its size of inventory, trade receivables and other receivables and, on the other hand, increase its level of cash; and

The directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust to value 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 liabilities as current assets and liabilities, respectively.

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 standards set out in the Model Code in Appendix 10 of the Listing Rules. After specific enquiry made by the Company, apart from Mr. Yu Jianqiu, 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 for the year ended 31 December 2020.

According to code provision A.3(a) of the Model Code, a Director must not deal in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results. According to code provision B.8 of the Model Code, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board of the Company for the specific purpose and receiving a dated written acknowledgement.

An executive Director, Mr. Yu Jianqiu, on 31 March 2020, had dealt in 261,008,000 shares of the Company which was in contravention of code provision A.3(a) and B.8 of the Model Code. In addition, during the period from 18 June 2020 to 26 August 2020, 241,220,000 shares of the Company of Mr. Yu Jianqiu and Epoch Keen Limited were disposed which were caused by forced/enforcement sales initiated by the relevant brokers pursuant to certain margin financing agreements entered into between Mr. Yu Jianqiu/Epoch Keen Limited and relevant brokers and Mr. Yu Jianqiu/Epoch Keen Limited was only informed of these disposal by the relevant brokers after the relevant disposal and/or immediately before the relevant disposals took place.

The Company has taken the following remedial steps to avoid the re-occurrance of similar incidents:

- Communicated and reminded Mr. Yu Jianqiu that the blackout period would be extended to when the audit results of the Group is announced;

- Recirculated the Model Code to the Board and reminded them of the procedures that they should follow should they wish to deal in the Company's shares; and

- Coordinated with Company's legal counsel and arranged a refresher training on directors' duties.

The Board considers that by adopting the aforesaid measures, it would enable the Directors to understand the dealing restriction during the black-out period and the procedures that they need to follow before dealing in the securities of the Company. The Board therefore considered that the implementation of the above measures would minimize the chance of breach of the Model Code by the Directors in the future.

ANNUAL GENERAL MEETING

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

PUBLICATIONS OF RESULTS ANNOUNCEMENT

This results announcement is published on the websites of the Company (www.cmru.com.cn) and the Stock Exchange (www.hkex.com.hk). The annual report for the year ended 31 December 2020 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, 31 March 2021

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.