Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

CHINA METAL RECYCLING (HOLDINGS) LIMITED

中 國 金 屬 再 生 資 源（控 股）有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00773)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2011 amounted to approximately HK$52,140.5 million, representing an increase of approximately 131.7% over HK$22,508.2 million in 2010.
- Profit attributable to owners of the Company for the year ended 31 December 2011 amounted to approximately HK$1,861.9 million, representing an increase of approximately 110.0% over HK$886.6 million in 2010.
- Basic earnings per share attributable to owners of the Company for the year ended 31 December 2011 amounted to HK$1.63, representing an increase of approximately 91.8% over HK$0.85 in 2010.
- The Board recommended the payment of a final dividend of HK32 cents per ordinary share for the year ended 31 December 2011.

ANNUAL RESULTS

The board of directors (the "Board") of China Metal Recycling (Holdings) Limited 中國金屬再生資源(控股)有限公司 (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011, together with the comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	3	**52,140,520**	22,508,182
Cost of sales		**(50,057,188)**	(21,272,828)
Gross profit		**2,083,332**	1,235,354
Other income and gains	4	**109,584**	65,655
Distribution and selling expenses		**(49,406)**	(8,597)
Administrative expenses		**(257,382)**	(182,832)
Net gain (loss) on derivative financial instruments		**338,123**	(77,534)
Finance costs	5	**(253,901)**	(95,289)
Share of loss of associates		**(5,765)**	(1,534)
Gain on deregistration/disposal of subsidiaries		**198**	9,278
Profit before taxation		**1,964,783**	944,501
Income tax expense	6	**(92,189)**	(52,598)
Profit for the year	7	**1,872,594**	891,903
Other comprehensive income			
Exchange differences arising on translation			
– subsidiaries		**74,461**	48,801
– associates		**2,223**	1,046
Reclassification of other comprehensive income upon deregistration/disposal of subsidiaries		**(198)**	(307)
Other comprehensive income for the year		**76,486**	49,540
Total comprehensive income for the year		**1,949,080**	941,443
Profit for the year attributable to:			
Owners of the Company		**1,861,939**	886,562
Non-controlling interests		**10,655**	5,341
		1,872,594	891,903
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,935,503**	933,115
Non-controlling interests		**13,577**	8,328
		1,949,080	941,443
		HK$	HK$
Earnings per share	9		
– basic		**1.63**	0.85
– diluted		**1.62**	0.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**454,205**	426,817
Investment properties		**—**	1,638
Prepaid lease payments - non-current portion		**199,938**	194,631
Interests in associates		**304,586**	96,625
Deposits paid for acquisition of property, plant and equipment		**108,266**	18,281
Deposits paid for land use rights		**137,026**	129,072
Fixed deposits		**60,976**	—
		1,264,997	867,064
CURRENT ASSETS			
Inventories	10	**2,640,496**	1,747,136
Trade and other receivables and deposits	11	**8,042,864**	7,347,811
Bills receivable	12	**2,303,746**	717,160
Prepaid lease payments - current portion		**10,243**	9,733
Deposits paid to a related party		**264**	120
Amount due from an associate		**36,585**	—
Derivative financial instruments		**94,480**	66,745
Tax recoverable		**3,342**	3,888
Pledged bank deposits		**1,334,043**	1,630,541
Restricted deposits		**220,635**	251,972
Fixed deposits		**109,817**	—
Bank balances and cash		**1,518,945**	1,088,536
		16,315,460	12,863,642

	Notes	2011 *HK$'000*	2010 *HK$'000*
CURRENT LIABILITIES			
Trade and other payables	13	**2,841,311**	4,171,503
Bills payable	13	**2,418,230**	1,109,965
Amounts due to non-controlling shareholders of subsidiaries		**23,911**	1,960
Amount due to an associate		**28,080**	—
Discounted bills		**986,593**	320,588
Derivative financial instruments		**86,663**	134,837
Bank borrowings		**4,300,320**	2,960,962
Tax payable		**68,222**	49,578
		10,753,330	8,749,393
NET CURRENT ASSETS		**5,562,130**	4,114,249
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,827,127**	4,981,313
NON-CURRENT LIABILITIES			
Bank borrowings		**365,854**	352,941
Other long-term payable		**—**	235
		365,854	353,176
NET ASSETS		**6,461,273**	4,628,137
CAPITAL AND RESERVES			
Share capital		**114**	114
Reserves		**6,351,838**	4,556,720
Equity attributable to owners of the Company		**6,351,952**	4,556,834
Non-controlling interests		**109,321**	71,303
TOTAL EQUITY		**6,461,273**	4,628,137

NOTES:

1. GENERAL INFORMATION

The Company is public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate and ultimate holding company is Wellrun Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Chun Chi Wai, the founder shareholder of the Company. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 3003A-5, 30/F, The Centrium, 60 Wyndham Street, Central, Hong Kong, respectively.

The functional currency of the Company is United States dollar. The consolidated financial statements are presented in Hong Kong dollar for the convenience of the shareholders as the Company is listed in Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) - Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures - Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]

HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group's annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the principal business of recycling, processing and marketing of metals, including ferrous and non-ferrous metals, which are the raw materials for a wide range of metallic end-products. The Group collects scrap steel, scrap copper and other scrap metals and processes them using advanced equipment to produce quality recycled metals. From time to time, the Group also sells products collected directly to customers when the quality of such products meets certain required standards. During the current year, the Group is also engaged in the recycling and marketing of other materials, other than metals. The revenue can be broadly classified into three categories:

(i) ferrous metals, namely iron and steel;

(ii) non-ferrous metals, including copper, aluminium, etc.; and

(iii) other materials, including ores, scrap plastic, etc..

The board of directors of the Company regularly reviews revenue analysis by the principal products processed/sold by the Group and the Group's consolidated profit for the year for the purposes of resource allocation and performance assessment. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Entity-wide disclosures

The following is an analysis of the Group's revenue by principal products for the year:

	2011	**2010**
	HK$'000	*HK$'000*
Ferrous metals	**7,937,681**	5,088,216
Non-ferrous metals	**40,533,194**	17,419,966
Other materials	**3,669,645**	—
	52,140,520	22,508,182

The Group's non-current assets are located in the places of domicile of the relevant group entities, namely the People's Republic of China (the "PRC"), Macau and Hong Kong. As at 31 December 2011 and 31 December 2010, substantially all of the Group's non-current assets are located in the PRC.

3. **REVENUE AND SEGMENT INFORMATION - continued**

Entity-wide disclosures - continued

The following is an analysis of the Group's revenue based on distinct geographical areas of location of customers for the year:

	2011	2010
	HK$'000	*HK$'000*
The PRC	**50,281,114**	21,908,682
Hong Kong	**1,381,864**	198,213
Asia, other than the PRC and Hong Kong	**194,479**	71,216
Europe	**163,849**	252,536
America	**119,214**	77,535
	52,140,520	22,508,182

Each of the two (2010: three) largest customers of the Group contributes more than 10% of the Group's revenue for the current year. Revenue of approximately HK$5,415 million and HK$5,369 million are attributed to these two customers, respectively, for the year ended 31 December 2011 (2010: approximately HK$5,666 million, HK$3,163 million and HK$3,225 million, respectively) and are mainly attributable to non-ferrous metal sales.

4. **OTHER INCOME AND GAINS**

	2011	2010
	HK$'000	*HK$'000*
Net exchange gain	**45,534**	40,267
Interest income	**31,531**	18,163
Gain on disposal of investment properties and prepaid lease payments	**12,964**	198
Gain on disposal of property, plant and equipment	**—**	508
Rental income	**—**	204
Others	**19,555**	6,315
	109,584	65,655

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**195,776**	74,939
Interest on discounted bills	**54,889**	17,836
Interest on advance from the controlling shareholder (note i)	**3,236**	—
Interest on advance from a director (note ii)	**—**	2,514
	253,901	95,289

Notes:

(i) During the year ended 31 December 2011, the Group obtained advances of HK$456,000,000 from the controlling shareholder and paid interests thereon at Hong Kong Interbank Offered Rate/LIBOR plus 2.25%. The advances were settled in the same year.

(ii) During the year ended 31 December 2010, the Group obtained an advance of HK$234,000,000 from a director and paid interest thereon at LIBOR plus 1.75%. The advance was settled in the same year.

6. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
The charge comprises:		
PRC Enterprise Income Tax		
Current year	**91,082**	52,832
Under(over)provision in prior year	**1,107**	(234)
	92,189	52,598

No provision for Hong Kong Profits Tax has been made as the Group's subsidiaries in Hong Kong either had no assessable profit or incurred tax losses for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Pursuant to the relevant laws and regulations in the PRC, two PRC subsidiaries of the Group, Yangzhong Yagang Metal Co., Ltd. and Tianjin Yatong Steel Co., Ltd. are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% tax reduction for the next three years. 2012 is the final year in which the two subsidiaries are subject to a 50% tax deduction.

Under Decree-Law no. 58/99/M, Central Steel (Macao Commercial Offshore) Limited, a Macau subsidiary incorporated under that Law (called "58/99/M Company"), is exempted from Macau Complementary tax (Macau income tax) as the 58/99/M Company does not sell its products to any Macau resident company during both years.

7. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments:		
Emoluments other than share-based payment	**16,153**	11,952
Share-based payment	**8,008**	13,303
Other staff costs:		
Salaries and wages	**67,156**	42,345
Share-based payment, excluding those of directors	**15,068**	21,458
Retirement benefit scheme contributions, excluding those of directors	**6,973**	3,392
Total staff costs	**113,358**	92,450
Auditor's remuneration	**5,500**	3,000
Allowance for inventories (note i)	**231,000**	—
Amortisation of prepaid lease payments	**10,131**	6,518
Depreciation of property, plant and equipment	**37,439**	25,153
Depreciation of investment properties	**6**	38
Loss on written-off of property, plant and equipment	**688**	—
Operating lease rentals paid in respect of rented premises	**26,133**	26,063

Notes:

(i) During the current year, the Group made an allowance for its inventories with reference to the subsequent selling price and market price trend and included it in cost of sales. The related inventories included both ferrous and non-ferrous metals.

(ii) Cost of inventories recognised as an expense approximates cost of sales (excluding allowance for inventories recognised) as shown in the consolidated statement of comprehensive income for both years.

8. DIVIDEND

During the year, the final dividend of HK16 cents (2010: HK12 cents) per share, amounted to HK$182,303,000 (2010: HK$125,400,000), in respect of the year ended 31 December 2010 was recognised as distribution to the shareholders.

No interim dividend was declared for the current year. The final dividend of HK32 cents in respect of the year ended 31 December 2011 amounted to approximately HK$365,513,000 in total (2010: final dividend of HK16 cents in respect of the year ended 31 December 2010 amounted to HK$182,303,000 in total) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2011	2010
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**1,861,939**	886,562
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,139,501,496**	1,047,801,067
Effect of diluted potential ordinary shares as a result of the share options granted	**8,421,279**	5,708,380
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,147,922,775**	1,053,509,447

10. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Raw materials	**271,585**	1,207,110
Finished goods	**2,368,911**	540,026
	2,640,496	1,747,136

11. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group generally allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of the Group's trade receivables, presented based on the invoice date at the end of the reporting period, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Trade receivables:		
0 - 30 days	**1,150,953**	1,152,304
31 - 60 days	**1,084,236**	1,096,188
61 - 90 days	**1,259,063**	944,505
91 - 120 days	**1,935,884**	923,509
121 - 180 days	**1,479,352**	1,662,913
Over 180 days	**33**	524,285
	6,909,521	6,303,704
Other receivables and deposits:		
Deposits and prepayments	**34,439**	55,454
Deposits paid for purchase of raw materials	**757,355**	686,151
Other taxes recoverable	**329,228**	279,154
Others	**12,321**	23,348
	1,133,343	1,044,107
	8,042,864	7,347,811

12. BILLS RECEIVABLE

The amount represents bills on hand and bills discounted to banks with recourse with a maturity period of less than 360 days (2010: 180 days). At the end of the reporting period, these receivables are not yet due and mostly guaranteed by the banks. The management considers the default rate is low based on past experience as the Group seldom encounters default on bills. The Group retains all the risks and rewards of discounted bills receivable and accordingly, the Group continues to recognise the full carrying amount of such bills receivable and has recognised the cash received on such discount as secured discounted bills liabilities.

13. TRADE AND OTHER PAYABLES / BILLS PAYABLE

The aged analysis of the Group's trade payables, presented based on the invoice date at the end of the reporting period, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Trade payables:		
0 - 30 days	**995,844**	938,813
31 - 60 days	**1,023,810**	891,316
61 - 90 days	**410,858**	822,360
91 - 120 days	**395**	715,714
121 - 150 days	**9,808**	370,087
Over 150 days	**742**	23,484
	2,441,457	3,761,774
Other payables:		
Accruals	**79,454**	45,589
Consideration payable for acquisition of additional interest in a subsidiary	**3,537**	10,961
Deposits received from customers	**149,453**	146,144
Other taxes payable	**8,972**	30,257
Amounts payable to brokers (note)	**127,274**	133,695
Others	**31,164**	43,083
	399,854	409,729
	2,841,311	4,171,503

Note: Amounts payable to brokers are arising from the Group's margin accounts for its derivative instruments. Out of the amount, HK$103,305,000 (2010: HK$55,654,000) is unsecured and interest bearing at LIBOR plus a spread, ranging from 1% to 2% (2010: 0.5% to 1%) and HK$23,969,000 (2010: HK$78,041,000) is interest-free and secured by inventories with a carrying amount of HK$106,582,000 (2010: HK$131,979,000).

The average credit period on purchase of goods is up to 60 days.

All the bills payable of the Group are aged within 360 days (2010: 180 days) and not yet due at the end of the reporting period. Bills payable are secured by pledged bank deposits of HK$335,934,000 (2010: HK$370,056,000) and bills receivable of HK$181,646,000 (2010: Nil).

BUSINESS REVIEW AND OUTLOOK

Business Overview

The Group's final results for the year ended 31 December 2011 (the "Year") achieved another record which follows the outstanding growth momentum in the past few years. Revenue and profit attributable to owners of the Company for the Year were up by approximately 131.7% and 110.0% to HK$52,140.5 million and HK$1,861.9 million respectively when compared with the year ended 31 December 2010 (the "Last Year"), as a result of the continued high demand for metals in China, increase in penetration of scrap metals in China, expansion of our regional coverage and increased market share. Tightened credit in China has also provided a favorable business environment to the Group as many smaller players faced difficulties in obtaining necessary financings. Leveraging on the Group's scale of operation, financing and other competitive advantages, the Group has gained additional market share. Sales volume of ferrous metals for the Year was approximately 1.85 million tons, an increase of approximately 18.0% compared to the Last Year while sales volume of non-ferrous metals for the Year was approximately 668,000 tons, an increase of approximately 85.3% compared to the Last Year. Other materials represent the sales of other raw materials to the Group's customers such as ores, scrap plastics, etc. Leveraging on the long term relationships with our customers and sourcing capabilities, the Group cross-sells these other raw materials to its customers.

China's crude steel production during the Year reached approximately 683 million tons, an increase of approximately 8.9% compared to the Last Year. China's copper cathode production during the Year was approximately 5.5 million tons, an increase of approximately 15.5% compared to the Last Year. However, the penetration of scrap metals consumption in China during the Year was still at a low level when compared with the figures in developed countries. Therefore, there exists a great potential for increasing penetration of recycled metals in China.

For the Eastern China operation, benefiting from the expanding operations in Jiangyin city and Ningbo city and with the benefit of being one of the best metal recycling markets in China, business flow has been strong in the region. The Group has continued its growth momentum in the revenue of the Eastern China region during the Year. Margins have improved as compared to the Last Year as a result of the ramp up operation and the increase in regional market share. Jiangyin port has been the regional logistic and distribution hub supporting the Group's recycling base in the Eastern China region and connecting its operations in other regions.

For the Northern China operation, business flow has continued to increase as a result of the smooth execution of the operation. The joint venture with 天津鋼管集團股份有限公司(Tianjin Pipe (Group) Corporation) and 11 regional recyclers (the "Tianjin Joint Venture") has started business operation and will create a "Strong-Strong" alliance by combining the competitive advantages of the shareholders. In addition, the Group formed a 55%-owned joint venture with 包頭市利吉隆貿易有限責任公司(Baotou Lijilong Trading Company Limited) (together with its group companies "Lijilong Group") (the "Baotou JV") in February 2012. Leveraging off the rich natural resources in Inner Mongolia, Baotou City is one of the major heavy industrial cities in the Northern China region and also a city with great supply and demand of scrap metals. With a designed annual capacity of 250,000 tons, Lijilong Group is one of the leading metal recyclers in Baotou City. Lijilong Group has a long operating history in the region and established a base of quality customers such as 包頭鋼鐵(集團)有限責任公司(Baotou Iron and Steel Group Co. Ltd) and 內蒙古北方重工業集團有限公司(Inner Mongolia North Heavy Industries Group Co. Ltd) and an extensive suppliers' network. It also has a major vehicle dismantling licence. The Baotou JV has a 500,000 tons capacity. Both initiatives will greatly enhance the Group's bargaining and managing power in the Northern China region.

For the Southern China operation, business has been stable. The Zhongshan site expanded our collection coverage and contributed an additional capacity of 300,000 tons. On 15 March 2011, the Company entered into a non-binding memorandum of understanding with 廣東物資集團公司(Guangdong Materials Group Corporation) ("GDWZ") to set up a joint venture to engage in the recycling business in the Southern China region. The discussion is ongoing. The proposed co-operation would help the Group create an integrated metal recycling system that combines the recycling and dismantling of scrap metals, electrical appliances, motor vehicles, vessels and aircrafts.

For the Central China operation, the Wuhan site has been ramping up. The Group has been expanding its regional suppliers network to meet the demand from one of the major customers, 武漢鋼鐵(集團)公司(Wuhan Iron and Steel (Group) Corporation).

The Group's future development strategy is to further enhance our competitive advantages to 1) continue to strengthen our strategic national network and product categories in order to establish an integrated metal recycling system that combines the recycling and dismantling of scrap metals, electrical appliances, motor vehicles and vessels, so as to fully support the State government's target of establishing a comprehensive recycling system under the 12th Five-Year Plan; 2) develop a diversified sales and procurement network to enlarge our market share; 3) continue to invest in advanced machineries and environmental protection facilities to ensure operational efficiency and economies of scale; and 4) increase investment in our staff to enhance management quality and strengthen our overall operational and business integration capability. The strategy of combining both organic and inorganic approaches of corporate development to maintain our relative first-mover advantage will continue to reinforce our leadership position in the metal recycling industry in China.

Looking forward into 2012, though facing uncertainties in the macro-economic conditions globally, the Group is confident of continuing the volume growth momentum and is expected to achieve 20%-30% growth in sales volume. With contributions from its multiple regional operations, the Group is confident of delivering more than spectacular returns to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2011 was HK$52,140.5 million (2010: HK$22,508.2 million), representing an increase of approximately 131.7% as compared to that for the Last Year. Increase in the Group's revenue was mainly attributable to the significant increase in the sales of both ferrous and non-ferrous metals during the year. The Group's business from new regions, namely the Eastern China region and the Northern China region, have contributed significantly to the increase during the year.

Gross Profit

Gross profit of the Group for the year ended 31 December 2011 was HK$2,083.3 million (2010: HK$1,235.4 million), representing an increase of approximately 68.6% as compared to that for the Last Year. Gross profit margin of the Group for the year was approximately 4.0% (2010: 5.5%), representing a decrease of approximately 1.5%. The decrease was mainly due to the increase in contributions from new regions which have lower gross profit margins and the lower selling prices when metal commodity prices decreased between the time of raw materials purchase and the time of sales, majority of which have already been hedged by metal commodity future contracts.

Other Income and gains

Other income for the year ended 31 December 2011, including mainly interest income, exchange gain and gain on disposal of investment properties and the relevant prepaid lease payments, increased by approximately 66.9% from HK$65.7 million for the Last Year to HK$109.6 million. The increase was mainly due to the increases in interest income from bank deposits and the gain on disposal of investment properties and prepaid lease payments by HK$13.4 million and HK$12.8 million respectively. Interest rate had increased during the year.

Distribution and Selling Expenses

Distribution and selling expenses for the year ended 31 December 2011 amounted to HK$49.4 million, representing an increase of approximately 474.7% compared to that for the Last Year. The increase was mainly attributable to the increase in volume of sales and the increase in the cost of transportation by HK$28.1 million and the port loading expense by HK$5.3 million.

Administrative Expenses

Administrative expenses including staff salaries, bank charges, depreciation expenses and other general administration expenses for the year ended 31 December 2011 amounted to HK$257.4 million, representing an increase of approximately 40.8% over that of HK$182.8 million for the Last Year. The increase was mainly attributable to the increase in the number of executive staff for the operations of the Group in the new regions in China; and various expenses, mainly bank charges and other taxes, incurred by the Group when expanding its operations.

Net Gain on Derivative Financial Instruments

Net gain on derivative financial instruments mainly represents the net gain arising from the changes in fair value of the metal commodity future contracts used to hedge against the Group's purchases and inventory. Metal commodity prices have been volatile during the year and led to net gains on those commodity future contracts used to hedge against the corresponding spot purchase or inventory when metal commodity prices decreased during the hedged period.

Finance Costs

Finance costs increased by approximately 166.5% from HK$95.3 million for the Last Year to HK$253.9 million for the year ended 31 December 2011. The finance costs for the year mainly arose from trade financing from banks for working capital purposes.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2011 grew by approximately 110.0% to HK$1,861.9 million as compared with HK$886.6 million for the Last Year.

Key Financial Ratios

The following table sets forth certain of our financial ratios as at the date for the years indicated.

	At 31 December 2011	At 31 December 2010
Current ratio	**1.5**	1.5
Gearing ratio (%)	**32.2**	26.5

	For the year ended 31 December	
	2011	2010
Inventory turnover days	**16**	21
Debtors' turnover days	**57**	78
Creditors' turnover days	**35**	49

Working Capital

The inventory turnover of the Group was 16 days for the year ended 31 December 2011 as compared to 21 days for the Last Year. In order to better manage the commodity price risk during the year, the inventory level was maintained at a low level.

The Group's debtors' turnover (including both trade debtors and bills receivable) was 57 days for the year ended 31 December 2011 as compared to 78 days for the Last Year. The Group generally allows average credit periods of 30 to 60 days and 30 to 90 days to its ferrous and non-ferrous customers respectively. The decrease was primarily due to speeding up of repayment by certain customers and tightening credit control of the Group.

The Group's creditors' turnover (including both trade payables and bills payable) was 35 days for the year ended 31 December 2011 as compared to 49 days for the Last Year. Credit periods granted by the Group's suppliers increased to 60 days.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2011, the Group has net current assets of HK$5,562.1 million (31 December 2010: HK$4,114.2 million) of which cash and bank deposits were HK$3,183.4 million (31 December 2010: HK$2,971.0 million).

Total borrowings as at 31 December 2011, including discounted bills, were HK$5,652.8 million (31 December 2010: HK$3,634.5 million), of which HK$5,286.9 million are repayable within one year (31 December 2010: HK$3,281.6 million). Such borrowings are mainly denominated in Renminbi, United States ("US") Dollars and Hong Kong Dollars. They were mainly used to finance the purchases of the Group. The Group maintained a balanced portfolio of bank borrowings at fixed interest rate and variable rates to manage finance costs.

The Group's gearing ratio as at 31 December 2011 (total borrowings divided by total assets) was 32.2% (31 December 2010: 26.5%).

The Group's transactions and the monetary assets are principally denominated in Renminbi, Hong Kong dollars and US dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year.

The Group adopts centralised financing and treasury policies in order to ensure the Group's funding is utilised efficiently. Conservative approach is adopted in monitoring foreign exchange exposure and interest rate risk. Forward contracts were used to hedge the foreign currency exposure in trading activities when it was considered appropriate.

The Group's liquidity position remains strong and the Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

Capital Expenditure and Capital Commitments

In order to enhance production capacity, the Group invested approximately HK$166.5 million during the year ended 31 December 2011 (2010: HK$513.8 million) in the acquisition of new fixed assets. These are mainly acquisition and deposits paid for buildings in Tianjin, construction work as well as machineries for various plants in China.

As at 31 December 2011, the Group made capital expenditure commitments of approximately HK$143.9 million (31 December 2010: HK$318.2 million) which were contracted but not provided for in the financial statements. These commitments were mainly related to the acquisition of land use right in Jiangsu and the investment in an associate in Tianjin.

Charges on Group Assets

As at 31 December 2011, the Group's banking facilities were mainly collateralised by certain bank deposits amounted to HK$1,334.0 million (31 December 2010: HK$1,630.5 million), bills receivable amounted to HK$1,500.3 million (31 December 2010: HK$449.4 million) and inventories amounted to HK$534.5 million (31 December 2010: HK$398.8 million). As at 31 December 2010, trade receivables amounted to HK$53.5 million and certain land and buildings of the Group of approximately HK$4.4 million were also pledged for the Group's banking facilities, and none of these assets were pledged as at 31 December 2011.

Foreign Exchange Risk Management

Most of the sales of the Group are settled in Renminbi, which is not freely convertible into foreign currencies. The fluctuation of Renminbi during the year did not have any adverse effect on the Group's results. Besides, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instruments for hedging purposes when considered appropriate.

Contingent Liabilities

As at 31 December 2011 and 31 December 2010, the Group had no material contingent liabilities.

Employees and Remuneration Policies

As at 31 December 2011, the Group had a workforce of about 600 people. Salaries of employees are maintained at competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group has adopted share option schemes whereby employees of the Group are granted options to acquire shares in the Company.

Good relationship has been maintained between the Group and its employees. The Group also provides internal training to staff and pays out bonuses based on staff performance and profits of the Group.

FINAL DIVIDEND

A final dividend of HK32 cents per share in respect of the year ended 31 December 2011 payable to the shareholders whose names appeared on the register of members of the Company on Thursday, 7 June 2012 has been recommended by the Board (the "Proposed Final Dividend"). The Proposed Final Dividend will be paid in cash, with an option to elect to receive newly issued fully paid shares of the Company in lieu of all or part of the cash dividend (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme will be conditional upon (i) shareholders' approval of the Proposed Final Dividend at the Company's forthcoming annual general meeting (the "2012 AGM") to be held on Wednesday, 30 May 2012; and (ii) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the new shares to be allotted thereunder. Full details of the Scrip Dividend Scheme will be set out in a circular, which will be sent to shareholders of the Company together with a form of election soon.

ANNUAL GENEARL MEETING

The 2012 AGM is to be held on Wednesday, 30 May 2012 and the notice of the 2012 AGM will be published and dispatched to the shareholders of the Company within the prescribed time and in such manner as required by the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2012 AGM, the register of members of the Company will be closed from Monday, 28 May 2012 to Wednesday, 30 May 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2012 AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 25 May 2012.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Tuesday, 5 June 2012 to Thursday, 7 June 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the

Proposed Final Dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 4 June 2012.

AUDIT COMMITTEE

The Group's consolidated financial statements for the year ended 31 December 2011 have been reviewed by the audit committee of the Company.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2011, in the opinion of the directors, the Company has followed the principles and complied with all applicable code provisions under the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, save for the deviation from code provision A.2.1 as follows.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Chun Chi Wai currently holds both the offices of Chairman and Chief Executive Officer of the Company. The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority within the Board as all major decisions are made in consultation with members of the Board as well as the senior management of the Company. Besides, this also provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted a code of conduct regarding securities transactions of the directors, senior management and relevant employees (who, because of their office in the Group, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) of the Group (the "Own Code") on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry with all directors of the Company, all directors have confirmed that they have complied with the required standard as set out in the Model Code and the Own Code throughout the year ended 31 December 2011. No incident of non-compliance of the Own Code during the year by the senior management and relevant employees was noted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners, bankers and auditors for their support to the Group throughout the year.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinametalrecycle.com). The annual report of the Company for the year ended 31 December 2011 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and posted on the above websites in due course.

For and on behalf of the Board
China Metal Recycling (Holdings) Limited
中國金屬再生資源(控股)有限公司
CHUN Chi Wai
Chairman and Chief Executive Officer

27 March 2012

As at the date of this announcement, the executive directors of the Company are Mr. Chun Chi Wai, Mr. Fung Ka Lun and Mr. Jiang Yan Zhang; the non-executive director is Ms. Lai Wun Yin; and the independent non-executive directors are Mr. Chan Kam Hung, Mr. Leung Chong Shun and Mr. Yan Qi Ping.