中金资源

CHINA METAL RESOURCES UTILIZATION LIMITED
中國金屬資源利用有限公司

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

(Stock Code: 1636)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

- Revenue increased by 95.6% to RMB2,959.0 million, year-on-year.
- Gross profit margin decreased by 3.0 percentage point to 4.4%, year-on-year.
- Gross profit for the year increased by 16.5% to RMB130.1 million, year-on-year.
- Net profit margin increased by 2.2 percentage point to 8.3%, year-on-year.
- Profit for the year increased by 166.1% to RMB245.5 million, year-on-year.
- Earnings per share for the year amounted to RMB0.17.
- Current ratio of 1.24 as at 31 December 2013.
- Debt to equity ratio of 97.8% as at 31 December 2013.

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 2013, together with the comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	**2013** *RMB'000*	2012 *RMB'000*
Turnover	*3*	**2,959,004**	1,513,133
Cost of sales		**(2,828,880)**	(1,401,445)
Gross profit		**130,124**	111,688
Other revenue	*5(a)*	**280,565**	55,886
Other net income/(loss)	*5(b)*	**428**	(1,509)
Selling and distribution expenses		**(9,107)**	(5,927)
Administrative expenses		**(63,640)**	(20,413)
Profit from operations		**338,370**	139,725
Finance costs	*6*	**(33,330)**	(16,850)
Profit before taxation		**305,040**	122,875
Income tax	*7*	**(59,492)**	(30,583)
Profit for the year		**245,548**	92,292
Earnings per share			
Basic *(RMB)*	*8(a)*	**0.17**	0.07
Diluted *(RMB)*	*8(b)*	**0.17**	0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013
(Expressed in Renminbi)

	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**245,548**	92,292
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of non-PRC entities	**4,935**	(72)
Total comprehensive income for the year	**250,483**	92,220

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013

(Expressed in Renminbi)

	Note	**2013**	2012
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**404,706**	272,849
Lease prepayments		**87,371**	9,332
Intangible assets		**7,312**	10,968
Goodwill		**39,308**	39,308
Pledged deposits		**6,300**	–
Other non-current assets		**52,834**	42,634
Deferred tax assets		**145**	351
		597,976	375,442
Current assets			
Inventories	*9*	**140,160**	113,724
Trade and other receivables	*10*	**848,666**	465,072
Amounts due from related parties		**964**	4,569
Pledged deposits		**27,711**	14,619
Cash and cash equivalents		**78,615**	19,609
		1,096,116	617,593
Current liabilities			
Trade and other payables	*11*	**420,671**	253,810
Obligations under finance leases		**12,000**	–
Bank loans and other borrowings		**304,374**	175,000
Amounts due to related parties		**30,200**	145,662
Loans from related parties		**84,948**	94,315
Current taxation		**28,317**	23,863
		880,510	692,650
Net current assets/(liabilities)		**215,606**	(75,057)
Total assets less current liabilities		**813,582**	300,385
Non-current liabilities			
Bank loans and other borrowings		**120,000**	–
Obligations under finance leases		**48,000**	–
Deferred government grants		**31,048**	–
Deferred tax liabilities		**1,729**	2,063
		200,777	2,063
NET ASSETS		**612,805**	298,322
CAPITAL AND RESERVES			
Share capital		**907**	68
Reserves		**611,898**	298,254
TOTAL EQUITY		**612,805**	298,322

NOTES

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 sales of copper and related products and the provision of contract manufacturing in the PRC. 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.

Pursuant to the corporate reorganisation of the Group ("the Corporate Reorganisation"), the Company became the holding company of the Group on 19 March 2013. Details of the Corporate Reorganisation are set out in the prospectus of the Company dated 11 February 2014 ("the Prospectus").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2013, but are extracted from those financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

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

(b) Basis of preparation of the financial statements

Engen Investments Limited ("Engen") was incorporated on 6 August 2010 as a subsidiary of Gushan Environmental Energy Limited ("Gushan"). Gushan listed its American Depositary Shares on the New York Stock Exchange in December 2007, with Mr. Yu Jianqiu being the major shareholder of Gushan. In October 2012, Gushan merged with Trillion Energy Holdings Limited, a company indirectly wholly-owned by Mr. Yu Jianqiu. Subsequent to the merger, Gushan ceased to be a publicly traded company.

Engen was established with the view of becoming the holding company of the copper business of Gushan, which commenced when Engen acquired Mianyang Jinxin Copper Co., Ltd. ("Jinxin") in November 2010.

The companies that took part in the Corporate Reorganisation were controlled by the same ultimate equity shareholder, Mr. Yu Jianqiu both before and after the Corporate Reorganisation and there were no changes in the business and operations of Engen and its subsidiaries. The Corporate Reorganisation only involved incorporating the Company with no prior substantive operations as the holding company of Engen and the holding company of the Group. Accordingly, the Corporate Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in IFRS 3 "Business combinations" with Engen treated as the acquirer for accounting purposes. The financial statements have been prepared and presented as a continuation of the consolidated financial statements of Engen and its subsidiaries, with the assets and liabilities of the Group recognised and measured at their historical carrying amounts prior to the Corporate Reorganisation.

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries.

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

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

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

Judgments made by management in the application of IFRSs that have significant effect on the financial statements.

3 TURNOVER

The principal activities of the Group are manufacturing and sales of copper and related products and provision of contract manufacturing services in the PRC. Turnover represents the sales value of goods sold to customers less returns, discounts, and value added taxes and other sales tax, and contract manufacturing income.

Sales of recycled copper products to one customer (2012: one customer) of the Group represents more than 10% of the Group's total turnover for the year ended 31 December 2013. In 2013, the turnover from the customer amounted to RMB304,351,000 (2012: RMB272,808,000).

4 SEGMENT REPORTING

The Group manages its businesses by business operations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has only identified one reportable segment, i.e. recycled copper products segment in 2012. In 2013, following the acquisitions of Sichuan Baohe Xinshiji Cable Co., Ltd. ("Baohe Xinshiji") and Mianyang Baohe Taiyue Communications Cable Co., Ltd. ("Baohe Taiyue") on 31 December 2012, the Group has identified three reportable segments, namely recycled copper products segment, power transmission and distribution cables segment and communication cables segment.

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

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

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

(a) Segment results

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the current and prior years is set out below:

	2013			
	Recycled copper products *RMB'000*	**Power transmission and distribution cables** *RMB'000*	**Communication cables** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**2,162,531**	**528,629**	**267,844**	**2,959,004**
Inter-segment revenue	**588,426**	**1,176**	**3,653**	**593,255**
Reportable segment revenue	**2,750,957**	**529,805**	**271,497**	**3,552,259**
Reportable segment profit	**201,313**	**32,725**	**40,792**	**274,830**
Interest income	**1,636**	**11**	**–**	**1,647**
Finance costs	**27,226**	**38**	**452**	**27,716**
Depreciation and amortisation	**20,157**	**2,801**	**1,582**	**24,540**
VAT refunds, government grants and subsidies	**272,636**	**4,222**	**2,060**	**278,918**

	2012			
	Recycled copper products *RMB'000*	Power transmission and distribution cables *RMB'000*	Communication cables *RMB'000*	Total *RMB'000*
Revenue from external customers	1,513,133	–	–	1,513,133
Inter-segment revenue	–	–	–	–
Reportable segment revenue	1,513,133	–	–	1,513,133
Reportable segment profit	98,189	–	–	98,189
Interest income	442	–	–	442
Finance costs	10,907	–	–	10,907
Depreciation and amortisation	8,679	–	–	8,679
VAT refunds, government grants and subsidies	55,443	–	–	55,443

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

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**3,552,259**	1,513,133
Elimination of inter-segment revenue	**(593,255)**	–
Consolidated turnover	**2,959,004**	1,513,133
Profit		
Reportable segment profit derived from the Group's external customers	**274,830**	98,189
Unallocated head office and corporate expenses	**(29,282)**	(5,897)
Consolidated profit after taxation	**245,548**	92,292

(c) **Geographic information**

As the Group's business participates in only one geographical location classified by the location of assets, i.e. the PRC, including Hong Kong, no separate geographical segment analysis based on the location of assets is presented.

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	2013	2012
	RMB'000	*RMB'000*
PRC	**2,907,115**	1,513,133
Other countries	**51,889**	–
	2,959,004	1,513,133

5 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

(a) **Other revenue**

	2013	2012
	RMB'000	*RMB'000*
VAT refunds		
– Employment of disabled staff *(note (i))*	**13,472**	8,598
– Comprehensive utilisation of resources *(note (ii))*	**185,742**	40,001
Government grants *(note (iii))*	**36,452**	6,844
Government subsidies *(note (iv))*	**43,252**	–
Interest income	**1,647**	443
	280,565	55,886

Notes:

(i) The Group is entitled to government grants for value added tax ("VAT") refunds in connection with the employment of disabled people under Cai Shui [2007] No. 67 issued by the PRC State Administration of Taxation.

(ii) The Group is entitled to government grants for VAT refunds under the Policies for Products Generated from Comprehensive Utilisation of Resources (Cai Shui [2011] No. 115) jointly issued by the PRC State Administration of Taxation and Ministry of Finance.

(iii) The amounts represent local government grants received by operating subsidiaries of the Group for the purpose of providing immediate financial support to the subsidiaries for general operating use with no future related cost. No specific conditions are required to meet in connection with the grants.

(iv) In 2013, the Group was granted government subsidies of RMB43,252,000 from Sichuan Province Mianyang City Youxian District Finance Bureau in connection with meeting tax payment thresholds. RMB33,000,000 of the subsidies were settled by offsetting against the advances from the local government during the year ended 31 December 2013.

(b) Other net income/(loss)

	2013	2012
	RMB'000	*RMB'000*
Net gain on copper futures contracts	**2,367**	935
Change in fair value of contingent consideration liabilities	**–**	(2,211)
Net foreign exchange loss	**(672)**	(9)
Loss on disposal of property, plant and equipment	**(1,184)**	(111)
Others	**(83)**	(113)
	428	(1,509)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2013	2012
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans and other borrowings wholly repayable within five years	**24,306**	9,511
Interest on loans from related parties	**6,270**	5,942
Guarantee fees and other charges	**2,754**	1,397
	33,330	16,850
(b) Staff costs		
Salaries, wages and other benefits	**15,239**	14,018
Contributions to defined contribution retirement schemes	**2,378**	2,694
Share-based payment expenses	**–**	2,647
	17,617	19,359

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

	2013	2012
	RMB'000	*RMB'000*
(c) Other items		
Cost of inventories	**2,828,880**	1,401,445
Depreciation of property, plant and equipment	**20,000**	8,473
Amortisation of lease prepayments	**884**	206
Amortisation of intangible assets	**3,656**	–
Auditor's remuneration	**1,575**	26
Listing expenses	**22,313**	–
Research and development costs	**2,751**	613

\# Cost of inventories includes RMB21,421,000 (2012: RMB12,250,000) relating to staff costs, depreciation and amortisation, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX

	2013	2012
	RMB'000	*RMB'000*
Current tax – PRC Corporate Income Tax		
Provision for the year	**67,650**	30,573
Effect of reduction in tax rate for prior year *(note (iii))*	**(8,030)**	–
	59,620	30,573
Deferred tax		
Origination and reversal of temporary differences	**(128)**	10
	59,492	30,583

Notes:

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

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

(iii) The Company's PRC subsidiaries are subject to PRC Corporate Income Tax at the statutory rate of 25%. In 2013, the Company's subsidiaries, Mianyang Jinxin Copper Co., Ltd. ("Jinxin") and Mianyang Tongxin Copper Co., Ltd. ("Tongxin") applied for preferential income tax treatment under the Notice on Taxation Policy Issues concerning the In-depth Implementation of the Western Development Strategy (Cai Shui [2011] No. 58). In May 2013, each of the Company's subsidiaries, Jinxin and Tongxin obtained the approval from local tax authority and became entitled to a preferential income tax rate of 15% from 1 January 2012 to 31 December 2020. Tax credits of RMB8,030,000 related to the preferential tax treatment for 2012 are recognised in profit or loss for the year ended 31 December 2013.

8 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB245,548,000 (2012: RMB92,292,000) and the weighted average number of ordinary shares. For the purpose of calculating basic and diluted earnings per share, the number of ordinary shares used in the calculation reflected (i) the effects of the share sub-division on 21 February 2014 in connection with Engen; (ii) share exchange in connection with the Corporate Reorganisation which took place in March 2013 and (iii) the capitalisation issue which took place upon the listing of the Company's shares on a retrospective basis as if the events had occurred on 1 January 2012.

	2013	2012
Profit attributable to equity shareholders of the Company *(RMB'000)*	**245,548**	92,292
Issued ordinary shares at the beginning of the year	**10,225**	10,000
Effect of issue of shares of Engen	**–**	133
Effect of share sub-division of Engen in February 2013	**1,012,275**	1,003,167
Effect of share options exercised	**210,926**	–
	1,233,426	1,013,300
Effect of share exchange in connection with the Corporate Reorganisation	**9,202,500**	9,119,700
Effect of capitalisation issue	**1,450,593,714**	1,408,487,000
Weighted average number of ordinary shares in issue	**1,461,029,640**	1,418,620,000
Basic earnings per share *(RMB)*	**0.17**	0.07

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share is the same as basic earnings per share for both years as all potentially dilutive potential ordinary shares were anti-dilutive.

9 INVENTORIES

Inventories in the consolidated balance sheet comprise:

	2013	2012
	RMB'000	*RMB'000*
Raw materials	**64,201**	76,858
Work in progress	**13,597**	10,374
Finished goods	**62,362**	26,492
	140,160	113,724

10 TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**677,102**	329,315
Advance payments to suppliers	**74,755**	72,125
Government grants receivable	**85,953**	39,742
Other deposits, prepayments and receivables	**10,856**	23,890
	848,666	465,072

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

(b) **Ageing analysis**

At the balance sheet date, the ageing analysis of trade debtors and bills receivable, based on transaction date is, as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 30 days	**312,971**	258,584
31 to 60 days	**270,981**	46,935
61 to 180 days	**91,871**	23,780
Over 180 days	**1,279**	16
	677,102	329,315

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

11 TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**166,706**	76,137
Bills payable	**26,400**	41,400
Receipts in advance	**22,758**	7,568
Accrued expenses and other payables	**204,807**	128,702
Derivative financial instruments	**–**	3
	420,671	253,810

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

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

	2013	2012
	RMB'000	*RMB'000*
Within 30 days	**102,572**	49,659
31 to 60 days	**35,395**	25,932
61 to 180 days	**33,739**	40,552
Over 180 days	**21,400**	1,394
	193,106	117,537

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

We are a fast-growing manufacturer of recycled copper products, also known as copper semis, in Southwest China. We process recycled scrap copper and, to a lesser extent, electrolytic copper, to manufacture a range of copper products, including copper wirerods, copper wires, copper plates and copper granules. Beginning in 2013, we also sell a range of communication cables and power transmission and distribution cables using copper wirerods that we produce as the principal raw materials. We are increasing our production capacity and plan to broaden our product range and pursue opportunities for further vertical integration. In light of the favorable development trends in China and our advantages in raw materials supply, facility location and preferential governmental policies, we believe that we are well positioned to become a leading integrated recycled copper product supplier in China covering the key value-creating activities in the industry chain.

During 2013, we accomplished a number of milestones in our business history. For instance, we completed the construction of our Tongxin facility, which produces copper wirerods and wires and has an estimated annual production capacity of 100,000 metric tons of recycled copper products. After a successful run and trial production, commercial production commenced in November 2013. In addition, commercial production at the second production line at our Jinxin facility, also commenced in November 2013.

As of the date of this announcement, our Jinxin, Tongxin and Hunan Yinlian Xiangbei Copper Co., Ltd. ("Xiangbei") facilities had a total estimated annual production capacity for recycled copper products of 176,800 metric tons (excluding copper granules). In addition, our Tongxin facility is expected to have an annual production capacity (measured by copper consumption) for enameled wires of 30,000 metric tons in the second quarter of 2014.

Future prospect/Outlook

With the listing of the Company's shares on the Main Board of the Stock Exchange on 21 February 2014 and the completion of our global offering, the Group raised a total of gross proceeds of approximately HK$600.9 million and will utilize the fund raised according to the planned usage specified in the prospectus of the Company dated 11 February 2014, which includes, among others, funding our planned capital expenditure in relation to additions to property, plant and equipment, and research and development projects of Baohe Taiyue and Baohe Xinshiji and expansion of production capacity at Xiangbei as well as repayment of loans.

Xiangbei's 30,000 metric tons annual production capacity expansion is substantially completed as of the date of this announcement, commercial production is expected to begin in the second quarter of 2014.

The construction of Baohe Xinshiji's new production facility next to our Tongxin facility in the Youxian Industrial Park is substantially completed as of the date of this announcement. Baohe Xinshiji facility will have two production lines with an aggregate estimated annual production capacity (measured by copper consumption) of 21,300 metric tons of power transmission and distribution cables. Currently, a substantial part of the equipment for manufacturing power and transmission cables has been delivered to the new plant. Production in the new plant is expected to commence in the second quarter of 2014.

Baohe Taiyue's new production facility, which is next to our Tongxin facility in the Youxian Industrial Park, is presently at the planning and design phase. Baohe Taiyue's facility will have three production lines with an aggregate estimated annual production capacity (measured by copper consumption) of 16,800 metric tons of communication cables. Construction of this facility is expected to commence in the second quarter of 2014. Currently, part of the equipment for manufacturing communication cables we purchased for this facility has been transferred to us and is temporarily housed in our Tongxin facility pending completion of this facility. Some of our communication cable products are currently produced at such interim manufacturing facility.

Separately, we are in preparation for setting up a sales office and a warehouse facility in Shanghai from which our customers will be able to collect our products directly. We believe this collection option will provide an attractive alternative to our customers in the surrounding area.

In the near term, we will be focusing our efforts on the integration of Baohe Taiyue and Baohe Xinshiji, ensuring that maximum synergies and benefits can be derived from such integrations. In addition, we will also be seeking potential acquisition opportunities within the industry supply chain which can further enhance the Group's operational and financial performance.

Financial review

Turnover

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

The following table sets forth an analysis of our turnover:

	2013	2012
	RMB'000	*RMB'000*
Sales of recycled copper products	**2,144,429**	1,486,238
Sales of power transmission and distribution cables	**528,629**	–
Sales of communication cables	**250,776**	–
Sales of scrap materials	**31,177**	24,290
Contract manufacturing income	**3,993**	2,605
	2,959,004	1,513,133

From 2013, turnover from sales of goods also includes sales of communication cables and power transmission and distribution cables by Baohe Taiyue and Baohe Xinshiji, respectively. Some of our customers in our communication cables business are located overseas.

Turnover for the year ended 31 December 2013 amounted to RMB2,959.0 million, representing an increase of 95.6% from RMB1,513.1 million for the year ended 31 December 2012. This increase was mainly due to the consolidation of Baohe Taiyue's and Baohe Xinshiji's results from 1 January 2013 and an increase in the sales volume of recycled copper products, partially offset by a decrease in the average selling price for recycled copper products.

Turnover from sales of power transmission and distribution cables amounted to RMB528.6 million, representing a sales volume of approximately 13,404 metric tons and an average selling price of RMB39,438 per metric ton for the year ended 31 December 2013. Turnover from sales of communication cables amounted to RMB250.8 million, representing a sales volume of 3,106 metric tons and an average selling price of RMB80,739 per metric ton for the year ended 31 December 2013. We did not recognize any turnover from sales of communication cables and power transmission and distribution cables for the year ended 31 December 2012 prior to the acquisitions of Baohe Taiyue and Baohe Xinshiji.

Turnover from recycled copper products amounted to RMB2,144.4 million for the year ended 31 December 2013, representing an increase of 44.3% from RMB1,486.2 million for the year ended 31 December 2012, reflecting mainly an increase of 57.6% in the sales volume of recycled copper products from 30,014 metric tons for the year ended 31 December 2012 to 47,293 metric tons for the year ended 31 December 2013. The increase in sales volume was mainly generated by an increase in our production as a result of the availability of more working capital. The overall average selling price of our recycled copper products decreased by 8.4% from RMB49,518 per metric ton for the year ended 31 December 2012 to RMB45,344 per metric ton for the year ended 31 December 2013.

Cost of sales

Cost of sales for the year ended 31 December 2013 totaled RMB2,828.9 million, representing an increase of 101.9% from RMB1,401.4 million for the year ended 31 December 2012. The increase was mainly due to the additional cost of sales arising from the consolidation of Baohe Taiyue's and Baohe Xinshiji's results from 1 January 2013 and an increase in the sales volume of our recycled copper products.

The cost of raw materials increased by 96.0% from RMB1,366.0 million for the year ended 31 December 2012 to RMB2,678.0 million for the year ended 31 December 2013. Direct materials cost was the largest component of the Company's cost of sales, accounting for approximately 97.5% and 94.7% of the total cost of sales for the years ended 31 December 2012 and 2013, respectively.

Cost of sales, other than raw materials and finished goods purchased, was RMB150.9 million for the year ended 31 December 2013, representing an increase of 326.3% from RMB35.4 million for the year ended 31 December 2012. The increase was mainly attributable to the processing fees of RMB9.4 million paid by Baohe Taiyue to Guangzhou Taiyue and RMB51.2 million paid by Baohe Xinshiji to Sichuan Xinshiji. The increase was also attributable to an increase in VAT-surtax from RMB9.1 million to RMB45.7 million. Such VAT-surtax is calculated with reference to the amounts of net VAT paid to the tax authorities. For the year ended 31 December 2013, we increased our purchases of raw materials from individual suppliers who did not provide VAT invoices, as a result, our net VAT paid after deducting input VAT increased as compared to the amount paid for the year ended 31 December 2012.

Gross profit and gross profit margin

Our gross profit was RMB130.1 million for the year ended 31 December 2013, representing an increase of 16.5% from RMB111.7 million for the year ended 31 December 2012. Our gross profit margin for the year ended 31 December 2013 decreased to 4.4% from 7.4% for the year ended 31 December 2012. The deterioration in gross profit margin was mainly due to the decrease in average selling price of recycled copper products by 8.4% without a comparable decrease in the average raw materials costs. Furthermore, the Group had been sourcing more of its scrap copper from vendors who did not provide VAT invoices, which resulted in higher VAT refunds to us, and on an ex-VAT basis, but these vendors generally sold scrap copper at a higher price. The decrease in gross profit margin of recycled copper business was partly offset by the increase in the relative size of cable segments, both communication cable segment and power cable segment commands higher gross profit margin than that of recycled copper products.

Other revenue

Other revenue increased significantly to RMB280.6 million for the year ended 31 December 2013 from RMB55.9 million for the year ended 31 December 2012. Tongxin and Xiangbei began to receive VAT refunds under the Comprehensive Utilization of Resources Policy from the third quarter of 2012 and Jinxin began to receive such VAT refunds from the third quarter of 2013 when they obtained the relevant approvals from the tax authorities. The increase in Jinxin's VAT refunds was primarily due to difference in timing of receiving such VAT refunds under the Social Welfare Enterprise Policy. During the year ended 31 December 2013, Tongxin and Baohe Xinshiji also received government grants and subsidies from the local government.

Other net income/(loss)

Our other net income for the year ended 31 December 2013 was RMB0.4 million as compared to our other net loss of RMB1.5 million for the year ended 31 December 2012. Our other net income for the year ended 31 December 2013 mainly comprised a net gain of RMB2.4 million on copper futures contracts trading on the Shanghai Futures Exchange. Our other net loss for the year ended 31 December 2012 mainly comprised a loss of RMB2.2 million from the change in fair value of contingent consideration liabilities.

Selling and distribution expenses

Our selling and distribution expenses for the year ended 31 December 2013 were RMB9.1 million, representing an increase of 54.2% from RMB5.9 million for the year ended 31 December 2012. The increase was primarily due to the consolidation of Baohe Taiyue's and Baohe Xinshiji's results for the year ended 31 December 2013.

Administrative expenses

Our administrative expenses for the year ended 31 December 2013 were RMB63.6 million, representing an increase of 211.8% from RMB20.4 million for the year ended 31 December 2012. The increase was primarily due to the recognition of listing expenses of RMB22.3 million in connection with the listing of the Company's shares, administrative and consultancy fees of RMB2.7 million to Baohe Fushan under the Management Consultancy Agreements, amortization of intangible assets of RMB3.7 million in relation to Baohe Taiyue and Baohe Xinshiji and consolidation of Baohe Taiyue's and Baohe Xinshiji's results from 1 January 2013.

Liquidity and financial resources

As at 31 December 2013, the Group's bank and cash balances (excluding pledged deposits of RMB34.0 million) amounted to RMB78.6 million (as at 31 December 2012: RMB19.6 million).

The Group's inventories increased by RMB26.4 million to RMB140.2 million and our trade and bills receivables increased by RMB347.8 million to RMB677.1 million (as at 31 December 2012: RMB113.7 million and RMB329.3 million respectively). The inventory turnover days and trade and bills receivable turnover days were 16.4 days and 62.1 days respectively, compared to 29.7 days and 47.6 days in 2012. Decrease in inventory turnover days was mainly due to the synergy effect streaming from a low inventory level required to maintain by our cable business as almost all of their copper wirerods and copper wires, as the major raw materials for producing communication, power and transmission cables, were supplied internally by our recycled copper business. Increase in trade and bills receivable turnover days was mainly due to the fact that we granted the customers of our power transmission and distribution cable and communication cable businesses a longer credit period than the customers of our recycled copper business.

Trade and bills payables increased by RMB75.6 million to RMB193.1 million as at 31 December 2013 (as at 31 December 2012: RMB117.5 million), the payable turnover days was 20.0 days, compared to 25.4 days in 2012. Decrease in the payable turnover days was due to an increase in our advance payments to suppliers which were used to offset the payment for goods upon suppliers' delivery of goods. We believe such advance payments help us to secure raw materials. We endeavor to keep our trade and bills payable turnover days relatively low mainly because our prompt payment pattern enhances our suppliers' willingness to supply raw materials to us and, therefore, helps us to secure raw materials.

The Group's total bank and other borrowings increased by RMB249.4 million to RMB424.4 million as at 31 December 2013 (as at 31 December 2012: RMB175.0 million). In respect of the Group's borrowings, the Group has to comply with certain restrictive financial covenants and certain assets were pledged as security.

Loans from and amounts due to related parties as at 31 December 2013 decreased by RMB124.9 million to RMB115.1 million (as at 31 December 2012: RMB240.0 million) mainly due to the repayments of certain loans to related parties and the exercise of share options by Mr. Yu Jianqiu on 16 October 2013 with a consideration of RMB64.0 million that was fully settled by way of setting off an equivalent amount due to Mr. Yu Jianqiu from the Group. Subsequent to 31 December 2013, the Group had obtained bridge loans to repay in full the loans from Gushan and amounts due to Gushan, Carling and Mr. Yu Jianqiu prior to the listing of the Company's shares on 21 February 2014.

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

	As at 31 December	
	2013	2012
Current ratio	**1.2**	0.9
Quick ratio	**1.1**	0.7
Debt to equity ratio	**97.8%**	139.1%
Net debt to equity ratio	**85.0%**	132.5%

The improvements of current ratio and quick ratio during the year ended 31 December 2013 were primarily attributable to (i) the Group having obtained certain long term bank loans which amounted to RMB120.0 million as at 31 December 2013; (ii) the Group having entered into a sale and finance lease-back arrangement of RMB60.0 million with a term of five years, of which RMB48.0 million was classified as non-current liability and (iii) the exercise of share options by Mr. Yu Jianqiu with a consideration of RMB64.0 million that was fully settled by way of setting off an equivalent amount due to Mr. Yu Jianqiu from the Group.

The improvements in debt to equity ratio and net debt to equity ratio during the year ended 31 December 2013 were mainly because the increase in equity was faster than the increase in total borrowings including bank loans, obligations under finance leases and loans and advances from related parties.

On 21 February 2014, the shares of the Company became listed on the Main Board of the Stock Exchange, pursuant to which 525,001,600 ordinary shares of HK$0.10 each were issued at a price of HK$1.13 per share by the Company, the total gross proceeds amounted to approximately HK$593.2 million. On 14 March 2014, the over-allotment option described in the prospectus was partially exercised by the sole global coordinator (on behalf of the international underwriters) in respect of an aggregate of 6,824,000 shares, representing approximately 1.1% of the offer shares initially available under the global offering. The 6,824,000 shares were issued and allotted by the Company at HK$1.13 per share, the total gross proceeds amounted to approximately HK$7.7 million.

Charge on assets

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Inventories	**78,612**	89,802
Property, plant and equipment	**127,688**	7,803
Lease prepayments	**35,071**	4,319
Government grants receivable	**12,766**	18,401
Deposits with guarantee companies	**2,500**	2,400
Deposits with banks	**26,711**	12,045
Deposit with lessor of finance leases	**4,800**	–
Deposits with securities broker	**–**	174
	288,148	134,944

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 which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect our financial performance. The Group uses copper futures contracts to mitigate its exposure against price fluctuations of copper raw materials. The market value of futures contracts is based on quoted market price at settlement or balance sheet date. The Group does not have significant outstanding copper futures contracts as at 31 December 2013 (as at 31 December 2012: Nil). The net realized and unrealized gains, in aggregate, of RMB2.4 million and RMB0.9 million were recognized in the years ended 31 December 2013 and 2012, respectively.

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 amounts due to and from related parties, loans from related parties and cash balances that are denominated in US dollars and/or Hong Kong dollars. During the year ended 31 December 2013, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies. The Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 December 2013.

Capital expenditures

Our planned future capital expenditures mainly include the purchase of additional plant, machinery and land which we believe would facilitate the growth of our business. Our capital expenditures represent additions to property, plant and equipment and payments for lease prepayments on lands of approximately RMB230.0 million for the year ended 31 December 2013.

Capital commitments

As at 31 December 2013, the capital commitments in respect of the acquisition of property, plant and equipment and land use rights contracted for but not provided in the consolidated financial statements amounted to RMB81.4 million (2012: RMB151.6 million).

Contingent liabilities

At at 31 December 2012, Jinxin had entered into a cross guarantee agreement with a bank in respect of bills payable facilities totaling RMB40.0 million granted to Jinxin, a supplier and two customers of Jinxin ("Contracted Parties") which remain in force so long as the Contracted Parties have drawn down under the banking facilities. According to the cross guarantee agreement, the Contracted Parties that are a party to the guarantee arrangement are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

At at 31 December 2012, the Directors did not consider it probable that a claim will be made against the Group under any of the above guarantees. The maximum liabilities of the Group as at 31 December 2012 under the cross guarantees are the aggregate amount of the facilities available for the two customers and a supplier of RMB25.0 million.

On 14 November 2013, each of the Contracted Parties entered into a supplemental agreement with the bank. Pursuant to the supplemental agreements, the Contracted Parties agreed to place deposits in an aggregate amount of RMB40.0 million to secure the bills payable facilities in full. Jinxin is responsible for RMB15.0 million and other Contracted Parties are responsible for the remaining RMB25.0 million in connection with the respective amounts of bills payable facilities available to Jinxin and other Contracted Parties. On the same day, the Contracted Parties deposited the required amounts under the supplemental agreements. As such, the Group had no contingent liabilities under the cross guarantee arrangement at 31 December 2013. The Group had no other material contingent liabilities as at 31 December 2013.

Human resources

As at 31 December 2013, the Group had a total of 621 employees. The Group's staff costs for the year ended 31 December 2013 were approximately RMB17.6 million (2012: RMB19.4 million). The Group offers its staff competitive remuneration packages. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated staff.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2013 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 June 2014 to 6 June 2014, both days inclusive, during which no transfer of shares can be registered. To qualify for the attendance and voting at the forthcoming annual general meeting, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must 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 3 June 2014.

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. Liu Rong, with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are mainly to communicate with 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 making recommendations thereof. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF SHARES

As the shares of the Company had not been listed on the Stock Exchange as at 31 December 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high level of corporate governance with a view to safeguarding the interests of shareholders and enhancing corporate value. Detailed corporate governance practices will be stated in the Company's corporate governance report that will form part of its annual report for the year ended 31 December 2013. The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules during the year ended 31 December 2013, except for the following deviation:

Code Provision A.2.1

Currently, Mr. Yu Jianqiu is both the Chairman and Chief Executive Officer of the Company. As Mr. Yu Jianqiu 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 Jianqiu taking up both roles for continuous effective management and business development of the Group.

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

As the Company was listed on 21 February 2014, the Company had not yet adopted, nor was it required to comply with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") during the year ended 31 December 2013. The Company has adopted the Model Code as its modal code for securities transactions by the Directors. After specific enquiry made by the Company, all Directors confirmed that they had complied with the required standards set out in the Model Code and the code of conduct regarding the Directors' securities transactions since 21 February 2014.

ANNUAL GENERAL MEETING

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

PUBLICATIONS OF RESULTS ANNOUNCEMENT

This results announcement is published on the websites of the Company (www.cmru.com.cn) and the Stock Exchange (www.hkex.com.hk). An annual report for the year ended 31 December 2013 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, 27 March 2014

As at the date of this announcement, the executive Directors of the Company are YU Jianqiu, KWONG Wai Sun Wilson, LIU Hanjiu, HUANG Weiping and ZHU Yufen; and the independent non-executive Directors of the Company are LEE Ting Bun Denny, PAN Liansheng and LIU Rong.