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 2014

FINANCIAL HIGHLIGHTS

- Revenue increased by 30.4% to RMB3,858.9 million, year-on-year.
- Gross profit margin decreased by 3.3 percentage point to 1.1%, year-on-year.
- Gross profit for the year decreased by 67.9% to RMB41.8 million, year-on-year.
- Profit attributable to the shareholders of the Company for the year increased by 1.2% to RMB248.5 million, year-on-year.
- Earnings per share for the year amounted to RMB0.12 as compared to RMB0.17 in 2013.
- Current ratio of 2.2 as at 31 December 2014 as compared to 1.2 as at 31 December 2013.
- Debt to equity ratio of 58.4% as at 31 December 2014 as compared to 97.8% as at 31 December 2013.
- The Board proposed a final dividend of HK$0.03 per share.

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 2014, together with the comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	**2014** **RMB'000**	2013 *RMB'000*
Turnover	*3*	**3,858,943**	2,959,004
Cost of sales		**(3,817,158)**	(2,828,880)
Gross profit		**41,785**	130,124
Other revenue	*5(a)*	**439,898**	280,565
Other net (loss)/income	*5(b)*	**(1,543)**	428
Selling and distribution expenses		**(22,634)**	(9,107)
Administrative expenses		**(102,179)**	(63,640)
Profit from operations		**355,327**	338,370
Finance costs	*6(a)*	**(57,630)**	(33,330)
Profit before taxation	*6*	**297,697**	305,040
Income tax	*7*	**(49,431)**	(59,492)
Profit for the year		**248,266**	245,548
Attributable to:			
Equity shareholders of the Company		**248,513**	245,548
Non-controlling interests		**(247)**	–
Profit for the year		**248,266**	245,548
Earnings per share attributable to the shareholders of the Company			
Basic *(RMB)*	*8(a)*	**0.12**	0.17
Diluted *(RMB)*	*8(b)*	**0.12**	0.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014
(Expressed in Renminbi)

	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**248,266**	245,548
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	**2,952**	4,935
Total comprehensive income for the year, net of nil tax	**251,218**	250,483
Attributable to:		
Equity shareholders of the Company	**251,465**	250,483
Non-controlling interests	**(247)**	–
Total comprehensive income for the year	**251,218**	250,483

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014
(Expressed in Renminbi)

	Note	**2014** **RMB'000**	2013 RMB'000
Non-current assets			
Property, plant and equipment		**559,308**	404,706
Lease prepayments		**85,618**	87,371
Intangible assets		**3,656**	7,312
Goodwill		**39,308**	39,308
Pledged deposits		**12,820**	6,300
Other non-current assets		**34,134**	52,834
Deferred tax assets		**774**	145
		735,618	597,976
Current assets			
Inventories	*10*	**461,699**	140,160
Trade and other receivables	*11*	**1,021,829**	848,666
Amounts due from related parties		**–**	964
Pledged deposits		**43,285**	27,711
Cash and cash equivalents		**145,765**	78,615
		1,672,578	1,096,116
Current liabilities			
Trade and other payables	*12*	**339,216**	420,671
Obligations under finance leases		**16,471**	12,000
Bank loans and other borrowings		**390,670**	304,374
Amounts due to related parties		**–**	30,200
Loans from related parties		**–**	84,948
Current taxation		**19,988**	28,317
		766,345	880,510
Net current assets		**906,233**	215,606
Total assets less current liabilities		**1,641,851**	813,582
Non-current liabilities			
Bank loans and other borrowings		**300,000**	120,000
Obligations under finance leases		**36,027**	48,000
Deferred government grants		**31,048**	31,048
Deferred tax liabilities		**1,473**	1,729
		368,548	200,777
NET ASSETS		**1,273,303**	612,805
CAPITAL AND RESERVES			
Share capital		**166,075**	907
Reserves		**1,096,991**	611,898
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**1,263,066**	612,805
Non-controlling interests		**10,237**	–
TOTAL EQUITY		**1,273,303**	612,805

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.

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 2014, 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 and became the holding company of the copper business of the Group when Engen acquired Mianyang Jinxin Copper Co., Ltd. ("Jinxin") in November 2010.

The Company, Engen and its subsidiaries 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 years ended 31 December 2014 and 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 that are stated at their fair value.

The preparation of the 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 (2013: one) customer of the Group represents more than 10% of the Group's total turnover for the year ended 31 December 2014. In 2014, the turnover from the customer amounted to RMB391,846,000 (2013: RMB304,351,000).

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 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: manufacture and sales of power transmission and distribution cables; and

(iii) Communication cables segment: manufacture 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:

	2014			
	Recycled copper products	**Power transmission and distribution cables**	**Communication cables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	**3,573,416**	**181,490**	**104,037**	**3,858,943**
Inter-segment revenue	**296,521**	**7,060**	**4,465**	**308,046**
Reportable segment revenue	**3,869,937**	**188,550**	**108,502**	**4,166,989**
Reportable segment profit	**249,861**	**20,594**	**23,872**	**294,327**
Interest income	**561**	**17**	**205**	**783**
Finance costs	**52,489**	**1,790**	**2,878**	**57,157**
Depreciation and amortisation	**25,930**	**4,861**	**1,694**	**32,485**
VAT refunds, government grants and subsidies	**426,767**	**7,591**	**4,390**	**438,748**

	2013			
	Recycled copper products	Power transmission and distribution cables	Communication cables	Total
	RMB'000	*RMB'000*	*RMB'000*	*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

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

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**4,166,989**	3,552,259
Elimination of inter-segment revenue	**(308,046)**	(593,255)
Consolidated turnover	**3,858,943**	2,959,004
Profit		
Reportable segment profit derived from the Group's external customers	**294,327**	274,830
Unallocated head office and corporate expenses	**(46,061)**	(29,282)
Consolidated profit after taxation	**248,266**	245,548

(c) Geographic information

The Group carried out its business operations in the PRC, 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.

	2014	2013
	RMB'000	*RMB'000*
PRC	**3,832,104**	2,907,115
Other countries	**26,839**	51,889
	3,858,943	2,959,004

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

(a) Other revenue

	2014	2013
	RMB'000	*RMB'000*
VAT refunds		
— Employment of disabled staff *(note (i))*	**7,679**	13,472
— Comprehensive utilisation of resources *(note (ii))*	**311,578**	185,742
Government grants *(note (iii))*	**85,400**	36,452
Government subsidies *(note (iv))*	**34,091**	43,252
Interest income	**1,150**	1,647
	439,898	280,565

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 refunds of 50% net VAT paid/payable 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 in the PRC for the purpose of providing immediate financial support to those subsidiaries for general operating use with no future related costs. No specific conditions are required to meet in connection with the grants.

(iv) In 2014, the Group was granted unconditional government subsidies of RMB34,091,000 from Youxian District Finance Bureau, Mianyang City, Sichuan Province. The subsidies were received through Sichuan Baohe Fushan Resources Recycling Development Co., Ltd. ("Baohe Fushan"), a private company owned as to 49% by the daughter of Mr. Yu Jianqiu. Mr. Yu Jianqiu is the controlling shareholder and a key management personnel of the Company. Baohe Fushan is principally engaged in the operation and the development of an industrial park in Mianyang, Sichuan Province, where most of the Group's subsidiaries are located.

In 2013, the Group was granted government subsidies of RMB43,252,000 from Youxian District Finance Bureau, Mianyang City, Sichuan Province 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 (loss)/income**

	2014	2013
	RMB'000	*RMB'000*
Net (loss)/gain on copper futures contracts upon settlement	**(670)**	2,367
Changes in fair value of copper futures contracts	**(525)**	–
Net foreign exchange gain/(loss)	**362**	(672)
Loss on disposal of property, plant and equipment	**(690)**	(1,184)
Others	**(20)**	(83)
	(1,543)	428

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2014	2013
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans and other borrowings wholly repayable within five years	**46,199**	24,306
Interest on finance leases	**5,403**	–
Interest on loans from related parties	**458**	6,270
Guarantee fees and other charges	**5,570**	2,754
	57,630	33,330
(b) Staff costs		
Salaries, wages and other benefits	**43,305**	15,239
Contributions to defined contribution retirement schemes	**3,289**	2,378
Share-based payment expenses	**10,365**	–
	56,959	17,617

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.

	2014	2013
	RMB'000	*RMB'000*
(c) Other items		
Cost of inventories#	**3,817,158**	2,828,880
Depreciation of property, plant and equipment	**27,076**	20,000
Amortisation of lease prepayments	**1,753**	884
Amortisation of intangible assets	**3,656**	3,656
Auditor's remuneration		
— Audit service	**2,454**	1,575
— Other service	**428**	–
Listing expenses*	**14,658**	22,313
Research and development costs	**1,623**	2,751

Cost of inventories includes RMB35,766,000 (2013: RMB21,421,000) 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.

* The total listing expenses amounted to RMB56,888,000 (excluding underwriting commissions). Of this amount, RMB14,658,000 (2013: RMB22,313,000) was charged to the consolidated income statements for the year ended 31 December 2014. The balance of RMB19,917,000, together with the underwriting commission, were deducted from the share premium account.

7 INCOME TAX

	2014	2013
	RMB'000	*RMB'000*
Current tax — PRC Corporate Income Tax		
Provision for the year	**60,660**	67,650
Effect of reduction in tax rate for prior year *(note (iii))*	**(10,344)**	(8,030)
	50,316	59,620
Deferred tax		
Origination and reversal of temporary differences	**(885)**	(128)
	49,431	59,492

Notes:

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

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

(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, 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.

In April 2014, the Company's subsidiaries, Sichuan Baohe Xinshiji Cable Co., Ltd. ("Baohe Xinshiji") and Mianyang Baohe Taiyue Communications Cable Co., Ltd. ("Baohe Taiyue") also obtained the approval from local tax authority and became entitled to a preferential income tax rate of 15% from 1 January 2013 to 31 December 2020 under the Western Development Strategy. Tax credits of RMB10,344,000 related to the preferential tax treatment for 2013 are recognised in profit or loss for the year ended 31 December 2014.

8 EARNINGS PER SHARE FOR THE PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB248,513,000 (2013: RMB245,548,000) 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 2013 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 2013.

	2014	2013
Profit attributable to equity shareholders of the Company *(RMB'000)*	**248,513**	245,548
Issued ordinary shares at the beginning of the year	**11,238,000**	10,225
Effect of share sub-division of Engen in February 2013	**–**	1,012,275
Effect of share options exercised	**–**	210,926
Effect of issue of new shares under the IPO	**451,645,212**	–
Effect of exercise of the over-allotment option	**5,477,896**	–
	468,361,108	1,233,426
Effect of share exchange in connection with the Corporate Reorganisation	**–**	9,202,500
Effect of capitalisation issue	**1,562,082,000**	1,450,593,714
Weighted average number of ordinary shares in issue	**2,030,443,108**	1,461,029,640
Basic earnings per share *(RMB)*	**0.12**	0.17

(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 DIVIDENDS

The interim dividend paid in 2014 was HK$0.03 per share, amounting to a total of HK$63,154,000 (equivalent to RMB50,138,000). A dividend in respect of the year ended 31 December 2014 of HK$0.03 per share, amounting to a total of HK$63,154,000 (equivalent to RMB50,008,000), is to be proposed at the forthcoming annual general meeting of the Company. These financial statements do not reflect this dividend payable.

	2014	2013
	RMB'000	*RMB'000*
Interim dividend paid of HK$0.03 (2013: HK$nil) per ordinary share	**50,138**	–
Proposed final dividend of HK$0.03 (2013: HK$nil) per ordinary share	**50,008**	–
	100,146	–

10 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**239,450**	64,201
Work in progress	**32,146**	13,597
Finished goods	**75,292**	24,256
Goods in transit	**114,811**	38,106
	461,699	140,160

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated income statement is as follows:

	2014	2013
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**3,812,215**	2,828,880
Write-down of inventories	**4,943**	–
	3,817,158	2,828,880

11 TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**747,122**	677,102
Advance payments to suppliers	**141,993**	74,755
Government grants receivable	**108,540**	85,953
Other deposits, prepayments and receivables	**24,174**	10,856
	1,021,829	848,666

(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:

	2014	2013
	RMB'000	*RMB'000*
Within 30 days	**296,703**	312,971
31 to 60 days	**161,238**	270,981
61 to 180 days	**201,761**	91,871
Over 180 days	**87,420**	1,279
	747,122	677,102

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

12 TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**10,494**	166,706
Bills payable	**25,800**	26,400
Receipts in advance	**23,025**	22,758
Accrued expenses and other payables	**279,897**	204,807
	339,216	420,671

(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:

	2014	2013
	RMB'000	*RMB'000*
Within 30 days	**4,386**	102,572
31 to 60 days	**1,280**	35,395
61 to 180 days	**27,615**	33,739
Over 180 days	**3,013**	21,400
	36,294	193,106

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 have also been selling a range of communication cables and power transmission and distribution cables using copper wirerods that we produce as the principal raw materials. We have constructed our own production facilities, seeking 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.

Our financial performance in 2014 was strong with the turnover increased by 30.4% from 2013. Net profit attributable to the shareholders of the Company amounted to RMB248.5 million, remaining stable as compared to 2013. The fact that it was achieved on the back of a difficult operating environment during the second quarter when liquidity significantly tightened in the financial markets in China demonstrated the strengths of our business model and the capability and dedication of our management team. In particular, our integrated business model enabled us to efficiently alter our product mix and minimize any adverse impact on our overall business from reduced liquidity in the market environment. The growth in turnover was principally due to the greater production capacity at our Tongxin and Hunan Yinlian Xiangbei Copper Co., Ltd. ("Xiangbei") facilities and was also the main driver for the increase in net profit.

Moreover, with all of our copper semis production facilities enjoying the benefits of VAT refunds, we continued our strategy to conduct our operations in order to fully utilize such benefits. Our VAT refunds under the Adjustment and Improvement of VAT Policies for Products and Labor Services Relating to Comprehensive Utilization of Resources (Cai Shui [2011] No. 115) jointly issued by the PRC State Administration of Taxation and Ministry of Finance in 2014 amounted to RMB311.6 million, representing a significant increase of 67.7% from 2013.

Xiangbei's annual production capacity expansion of 30,000 metric tons was completed during the second quarter of 2014. The production facility of Baohe Xinshiji was completed and production commenced during the second quarter of the year. The production facility of Baohe Taiyue was also completed and production commenced in the fourth quarter of 2014.

Recent developments

On 25 September 2014, Tongxin completed an acquisition of 51% and 14% equity interest in Mianyang Jin Xunhuan Metal Materials Co., Ltd. (綿陽金循環金屬材料有限公司) ("Jin Xunhuan") from Shenzhen YinTai Copper Co., Limited (深圳銀泰銅業有限公司) and Tianjin Jili Recycling of Renewable Resources Co., Limited (天津市潔利再生資源回收利用有限公司) respectively, in which a cash consideration of approximately RMB15,300,000 and RMB4,200,000 was paid respectively. Jin Xunhuan will focus on the sales and production of anodic copper from scrap copper as raw materials and trading electrolytic copper. The Group plans to sell these products through Jin Xunhuan in the Shanghai Futures Exchange and other professional e-commerce platforms. By trading its products in such innovative platforms, the Group expects to (1) enlarge its sales volume; (2) strengthen its liquidity by shortening the overall trade receivable turnover days; and (3) capture the synergy effect by making use of the Group's existing sources of raw materials, logistic system and technical know-how. Jin Xunhuan was still under construction at the end of 2014 and it is expected to commence operations in the third quarter of 2015. Please refer to the announcement of the Company dated 15 September 2014 for further details.

On 19 December 2014, the Company, Shanghai Baohe Properties Development Co., Ltd. (上海保和置業發展有限公司) ("Baohe Development") and Sichuan Xijiulong Investment Co., Ltd. (四川省西九龍投資有限公司) ("Xijiulong") entered into a non-legally binding letter of intent in relation to the possible acquisition by the Company of 15.3% and 14.7% of the equity interest of Sichuan Baohe Fushan Resources Recycling Development Co., Ltd. (四川省保和富山再生資源開發有限公司) ("Baohe Fushan") from Baohe Development and Xijiulong, respectively. Baohe Fushan is principally engaged in the operation and the development of an industrial park in the PRC, which currently accommodates Tongxin, Baohe Xinshiji and Baohe Taiyue, all of which are wholly-owned subsidiaries of the Company, and other metal recycling related companies. Please refer to the announcement of the Company dated 19 December 2014 for further details.

Future prospects/Outlook

Recently, the PRC government has adopted a series of policies, striving to maintain its targeted economic growth rate. Since the fourth quarter of 2014, liquidity in the financial markets in China improved as a result of interest rate cuts and reduction of bank reserve requirements. On the fiscal front, the PRC government also announced a spate of new infrastructure projects which includes, among others, further investments in the power grid network. Such measures are expected to provide additional support to the demand of copper in China in the near to medium term.

As such, we are cautiously optimistic that our business environment will continue to improve in the coming year. Meanwhile, we are actively seeking acquisition opportunities for further integration along our industry supply chain, seeking to achieve good growth in our business and to provide attractive returns to our shareholders.

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:

	2014	2013
	RMB'000	*RMB'000*
Sales of recycled copper products	**3,548,268**	2,144,429
Sales of power transmission and distribution cables	**181,490**	528,629
Sales of communication cables	**104,037**	250,776
Sales of scrap materials	**22,524**	31,177
Contract manufacturing income	**2,624**	3,993
	3,858,943	2,959,004

Turnover for the year ended 31 December 2014 amounted to RMB3,858.9 million, representing an increase of 30.4% from RMB2,959.0 million for the year ended 31 December 2013. This increase was mainly due to the increase in the sales volume of recycled copper products, though it has partially offset by a decrease in the average selling price for recycled copper products.

Turnover from recycled copper products amounted to RMB3,548.3 million for the year ended 31 December 2014, representing an increase of 65.5% from RMB2,144.4 million for the year ended 31 December 2013, reflecting mainly an increase of 79.3% in the sales volume of recycled copper products from 47,293 metric tons for the year ended 31 December 2013 to 84,776 metric tons for the year ended 31 December 2014. 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 7.7% from RMB45,344 per metric ton for the year ended 31 December 2013 to RMB41,855 per metric ton for the year ended 31 December 2014.

Turnover from sales of power transmission and distribution cables amounted to RMB181.5 million for the year ended 31 December 2014, representing a decrease of 65.7% from RMB528.6 million for the year ended 31 December 2013, reflecting a decrease of 60.6% in sales volume from 13,404 metric tons for the year ended 31 December 2013 to 5,276 metric tons for the year ended 31 December 2014, and a decrease of 12.8% in average selling price of RMB39,438 per metric ton for the year ended 31 December 2013 to RMB34,401 per metric ton for the year ended 31 December 2014.

Turnover from sales of communication cables amounted to RMB104.0 million for the year ended 31 December 2014, representing a decrease of 58.5% from RMB250.8 million for the year ended 31 December 2013, which was a result of a decrease of 21.1% in sales volume from 3,106 metric tons for the year ended 31 December 2013 to 2,452 metric tons for the year ended 31 December 2014, and a decrease of 47.4% in average selling price of RMB80,739 per metric ton for the year ended 31 December 2013 to RMB42,435 per metric ton for the year ended 31 December 2014. The decrease in the average selling price was primarily caused by changes in product mix.

The decreases in sales of power transmission and distribution cables and communication cables were due to the Group's strategy to focus on recycled copper products, in which its receivables turnover days are shorter than those of power transmission and distribution cables and communication cables in order to minimize credit risk exposure amid the tightening of liquidity in the banking system in China during 2014.

Cost of sales

Cost of sales for the year ended 31 December 2014 totaled RMB3,817.2 million, representing an increase of 34.9% from RMB2,828.9 million for the year ended 31 December 2013. The increase was mainly due to the increase of 79.3% in the sales volume of recycled copper products, though partly offset by the decrease of 60.6% and 21.1% in the sales volume of power transmission and distribution cables and communication cables, respectively.

The cost of raw materials increased by 35.9% from RMB2,678.0 million for the year ended 31 December 2013 to RMB3,639.4 million for the year ended 31 December 2014. Direct materials cost was the largest component of the Company's cost of sales, accounting for approximately 94.7% and 95.4% of the total cost of sales for the years ended 31 December 2013 and 2014, respectively.

Cost of sales, other than raw materials and finished goods purchased, was RMB177.8 million for the year ended 31 December 2014, representing an increase of 17.8% from RMB150.9 million for the year ended 31 December 2013. The increase was mainly attributable to an increase in VAT-surtax from RMB45.7 million to RMB73.2 million. Such VAT-surtax is calculated with reference to the amounts of net VAT paid to the tax authorities and such net VAT amount was directly related to the turnover from sales of our products.

Gross profit and gross profit margin

Our gross profit was RMB41.8 million for the year ended 31 December 2014, representing a decrease of 67.9% from RMB130.1 million for the year ended 31 December 2013. Our gross profit margin for the year ended 31 December 2014 decreased to 1.1% from 4.4% for the year ended 31 December 2013. The deterioration in gross profit margin was mainly due to the decrease in average selling price of recycled copper products by 7.7% without a comparable decrease in the average raw materials costs. Furthermore, the decrease in the Group's gross profit margin was also partly due to the decrease 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 RMB439.9 million for the year ended 31 December 2014 from RMB280.6 million for the year ended 31 December 2013. The increase was mainly due to VAT refunds under the Comprehensive Utilization of Resources Policy, the amount of which was directly related to the turnover from sales of our recycled copper products.

Other net (loss)/income

Our other net loss for the year ended 31 December 2014 was RMB1.5 million as compared to a net income of RMB0.4 million for the year ended 31 December 2013. Our other net loss for the year ended 31 December 2014 mainly comprised a realized loss of RMB0.7 million and an unrealized loss of RMB0.5 million on copper futures contracts trading on the Shanghai Futures Exchange, and a loss of RMB0.7 million from disposal of property, plant and equipment. Our other net income for the year ended 31 December 2013 mainly comprised a realized gain of RMB2.4 million on copper futures contracts trading on the Shanghai Futures Exchange and a loss of RMB1.2 million from disposal of property, plant and equipment.

Selling and distribution expenses

Our selling and distribution expenses for the year ended 31 December 2014 were RMB22.6 million, representing an increase of 148.5% from RMB9.1 million for the year ended 31 December 2013. The increase was primarily due to the increase in transportation expenses incurred since the Company diversified its market by increasing sales of recycled copper products to customers located in, among others, Shandong, Anhui, Zhejiang and Guizhou, on top of Sichuan and Hunan where the Company's production facilities are located.

Administrative expenses

Our administrative expenses for the year ended 31 December 2014 were RMB102.2 million, representing an increase of 60.6% from RMB63.6 million for the year ended 31 December 2013. The increase was primarily due to, among others, the recognition of share-based compensation of RMB10.4 million as a result of the grant of share options on 2 July 2014, the increase of salaries, wages and other benefits by RMB19.3 million as a result of high expenditure on human resources in areas such as compliance, finance and internal controls, and the increase by RMB9.6 million in professional fees.

Capital structure

As at 31 December 2014, the capital structure of the Group mainly consisted of shareholders' equity, bank and other borrowings and finance leases. There are no material seasonality of borrowing requirements for the Group.

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

	As at 31 December 2014		As at 31 December 2013	
	Weighted average effective interest rate	**Amount**	Weighted average effective interest rate	Amount
	%	***RMB'000***	*%*	*RMB'000*
Fixed rate borrowings:				
Bank loans and other borrowings	**9.49**	**690,670**	9.87	424,374
Loans from related parties	**–**	**–**	6.54	84,948
Obligations under finance leases	**7.06**	**52,498**	6.66	60,000
Total fixed rate borrowings		**743,168**		569,322

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

	As at 31 December 2014				As at 31 December 2013			
	Bank and other borrowings	**Loans from related parties**	**Obligations under finance leases**	**Total**	Bank and other borrowings	Loans from related parties	Obligations under finance leases	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within one year or repayable on demand	**390,670**	**–**	**16,471**	**407,141**	304,374	84,948	12,000	401,322
After one year but within two years	**300,000**	**–**	**14,309**	**314,309**	120,000	–	12,000	132,000
After two year but within five years	**–**	**–**	**21,718**	**21,718**	–	–	36,000	36,000
	690,670	**–**	**52,498**	**743,168**	424,374	84,948	60,000	569,322

Liquidity and financial resources

As at 31 December 2014, the Group's bank and cash balances (excluding pledged deposits of RMB56.1 million) amounted to RMB145.8 million (as at 31 December 2013: RMB78.6 million).

The Group's inventories increased by RMB321.5 million to RMB461.7 million as at 31 December 2014 (as at 31 December 2013: RMB140.2 million). The inventory turnover days was 28.8 days as compared to 16.4 days in 2013. Increase in inventory turnover days was mainly due to a significant increase in inventory level as at 31 December 2014 in preparation for fulfilling expected huge sales orders that are usually squeezed before Chinese new year holiday.

Trade and bills receivables increased by RMB70.0 million to RMB747.1 million as at 31 December 2014 (as at 31 December 2013: RMB677.1 million). Trade and bills receivable turnover days increased slightly to 67.4 days as compared to 62.1 days in 2013.

Trade and bills payables decreased by RMB156.8 million to RMB36.3 million as at 31 December 2014 (as at 31 December 2013: RMB193.1 million), the payable turnover days was 11.0 days, compared to 20.0 days in 2013. 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 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 secure raw materials.

The Group's total interest-bearing borrowings (including obligations under finance leases) increased by RMB173.9 million to RMB743.2 million as at 31 December 2014 (as at 31 December 2013: RMB569.3 million). The increase mainly represented long term loans of RMB300.0 million from Mianyang Science Technology City Development Investment (Group) Co., Ltd. ("Mianyang Development Group"), a state owned enterprise. In respect of the Group's borrowings, the Group has to comply with certain restrictive financial covenants and certain assets were pledged as security.

In February 2014, the Group had obtained bridge loans to repay in full the loans from Gushan Environmental Energy Limited ("Gushan") and amounts due to Gushan, Carling Technology Limited ("Carling") and Mr. Yu Jianqiu prior to the listing of the Company's shares on 21 February, 2014. Such bridge loans had already been fully repaid before 30 June 2014. Furthermore, loans from and amounts due to other related parties had also been fully repaid during the six months ended 30 June 2014.

On 21 February 2014 (the "Listing Date"), the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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, and the total gross proceeds amounted to approximately HK$593.3 million (equivalent to RMB468.0 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, and the total gross proceeds amounted to approximately HK$7.7 million.

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

	As at 31 December	
	2014	2013
Current ratio	**2.2**	1.2
Quick ratio	**1.6**	1.1
Debt to equity ratio*	**58.4%**	97.8%
Net debt to equity ratio#	**46.9%**	85.0%

* (Total interest-bearing debts plus amounts due to related parties)/Total equity.

\# (Total interest-bearing debts plus amounts due to related parties less cash and cash equivalents)/Total equity.

The improvements of current ratio and quick ratio as at 31 December 2014 compared to 31 December 2013 were primarily attributable to (i) the repayments of certain loans from related parties and amounts due to related parties by using bridge loans and the subsequent repayments of such bridge loans by using part of the proceeds from the global offering; (ii) the repayments of certain loans from related parties and amounts due to related parties by using part of the proceeds from the global offering; (iii) the increase in cash and cash equivalents as a result of the unused proceeds from the global offering; and (iv) the increase in inventory and the decrease in trade payables by using operating cash inflows and proceeds from new long-term bank loans during the year ended 31 December 2014.

The improvements in debt to equity ratio and net debt to equity ratio as at 31 December 2014 compared to 31 December 2013 were mainly because of (i) the increase in equity as a result of the global offering; and (ii) the net profit attributable to the shareholders of the Company for the year ended 31 December 2014.

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	
	2014	2013
	RMB'000	*RMB'000*
Inventories	**57,011**	78,612
Property, plant and equipment	**176,328**	127,688
Lease prepayments	**38,269**	35,071
Government grants receivable	**35,015**	12,766
Deposits with guarantee companies	**27,100**	2,500
Deposits with banks	**13,022**	26,711
Deposit with lessor of finance leases	**5,320**	4,800
Deposits with securities broker	**10,663**	–
Bills receivables	**4,000**	–
	366,728	288,148

Commodity risk

The major raw materials used in the production of our recycled copper products and cable products are scrap copper. We are exposed to fluctuations in the prices of raw materials as well as finished goods which are influenced by global as well as regional supply and demand conditions. Fluctuations in the copper prices could adversely affect our financial performance. The Group uses copper futures contracts to mitigate part of its exposure against price fluctuations of copper. The market value of futures contracts is based on quoted market price at settlement or balance sheet date. The Group's outstanding copper futures contracts had a notional contract value of RMB62.0 million as at 31 December 2014 (as at 31 December 2013: Nil). Net loss of RMB1.2 million were recognized for the year ended 31 December 2014 (2013: net gain of RMB2.4 million).

Foreign currency risk

The functional currency of a majority of the entities within our Group is RMB and most of the transactions are settled in RMB. However, we are exposed to currency risk primarily related to the cash and cash equivalents that are denominated in Hong Kong dollars. The balance of cash and cash equivalents as at 31 December 2014 included HK$23.1 million and USD14,000 (in total equivalent to approximately RMB18.3 million) were held in banks in Hong Kong. During the year ended 31 December 2014, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies. As at 31 December 2014, all the Group's borrowings were denominated in RMB. The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 December 2014.

Significant investments held

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company during the year ended 31 December 2014.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 December 2014, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

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 (including construction in progress) and lease prepayments on lands of approximately RMB184.0 million for the year ended 31 December 2014 (2013: RMB230.0 million).

Capital commitments

As at 31 December 2014, the capital commitments in respect of the acquisition of property, plant and equipment and lease prepayments on lands contracted for but not provided in the consolidated financial statements amounted to RMB133.4 million (2013: RMB81.4 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2014.

Use of proceeds from the listing

The Company was listed on the Main Board of the Stock Exchange on the Listing Date and issued 531,825,600 new shares (including issue of new shares upon the exercise of over-allotment option) at HK$1.13 per share. The net proceeds from the Listing received by the Company are approximately RMB420.0 million (after taking into account of provisions for professional fees in relation to the Listing) as at 31 December 2014. These proceeds were intended to be applied in accordance with the business plan set out in the Prospectus. The business plan and schedule of use of proceeds disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied in accordance with the actual development of the market.

During the year ended 31 December 2014, the net proceeds from the Listing were applied as follows:

(i) RMB116.2 million for repaying the bridge loan which were obtained for the purpose of repaying in full the loans from Gushan and amounts due to Gushan, Carling and Mr. Yu prior to Listing and on repaying other loans from related parties and amounts due to related parties;

(ii) RMB151.9 million for funding a portion of our planned capital expenditure in relation to additions to property, plant and equipment, land use rights, and research and development projects of Tongxin, Xiangbei, Baohe Xinshiji and Baohe Taiyue; and

(iii) RMB29.5 million for repaying certain outstanding bank loans, all of which are working capital loans.

Certain amounts of net proceeds of the global offering had not been immediately used for the purposes described in the Prospectus. These proceeds were placed as deposits with banks (pledged and unpledged) and other financial institutions as at 31 December 2014.

Human resources

As at 31 December 2014, the Group had a total of 864 employees (2013: 621). The Group's staff costs for the year ended 31 December 2014 were approximately RMB57.0 million (2013: RMB17.6 million). The Group offers its staff competitive remuneration packages. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated professionals. The Group is also committed to social responsibility by employing disabled staff and providing appropriate working conditions and protection to them.

Events after the Reporting Period

On 19 January 2015, the Company issued 133,650,000 warrants to 7 subscribers. Each warrant will entitle its holder to subscribe for one share of the Company at a subscription price of HK$1.30 per share. The warrants will be vested in phases according to the vesting conditions. The vesting condition is that the subscribers, who are also the Group's suppliers, shall carry out the transactions under their respective annual procurement agreements, pursuant to which the suppliers, in aggregate, agree to supply 49,500 tons of copper scrap raw materials to the Group in 2015 at a fixed discount of RMB1,000 per ton. The arrangements are expected to encourage such suppliers to achieve the targeted amount to supply raw material and to maintain continued cooperative relationship with the Group. Please refer to the announcement of the Company dated 19 December 2014 for further details.

On 24 February 2015, the Company issued 102,000,000 warrants to 3 subscribers, each warrant will entitle its holder to subscribe for one share of the Company at a subscription price of HK$1.50 per share. The warrants will be vested in phases according to the vesting conditions. The vesting condition is that the subscribers, who are also the Group's suppliers, shall carry out the transactions under their respective annual procurement agreements, pursuant to which the suppliers, in aggregate, agree to supply 30,000 tons of copper scrap raw materials to the Group from 1 February 2015 to 31 January 2016 at a fixed discount of RMB2,000 per ton. The arrangements are expected to encourage such suppliers to achieve the targeted amount to supply raw material and to expand the Group's sources of raw materials. Please refer to the announcement of the Company dated 5 February 2015 for further details.

DIVIDENDS

The Board recommended the payment of a final dividend of HK$0.03 per share for the year ended 31 December 2014 to shareholders of the Company whose names appear on the register of members of the Company on 18 June 2015. The proposed final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting (the "AGM") and, if approved by the shareholders, is expected to be paid on or before 30 June 2015.

CLOSURE OF REGISTER OF MEMBERS

1. AGM

The register of members of the Company will be closed from 5 June 2015 to 9 June 2015, both days inclusive, during which no transfer of shares can be registered. To qualify for the attendance and voting at the AGM, shareholders must ensure that all transfer documents accompanied by the relevant share certificates 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 4 June 2015.

2. Proposed final dividend

The proposed final dividend is subject to the passing of an ordinary resolution by shareholders at the AGM. The record date for entitlement to the proposed final dividend 18 June 2015. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 16 June 2015 to 18 June 2015, both days inclusive, during which no transfer of shares can be registered. In order to qualify for the proposed final dividend mentioned above, all transfers 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 15 June 2015.

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 to make 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 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company from the Listing Date up to 31 December 2014.

CORPORATE GOVERNANCE

Since the Listing Date, save as to the deviation from the Code Provision A.2.1, the Company has applied the principles of and is in compliance with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules. Code Provision A.2.1 provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established and set out in writing. Currently, Mr. Yu Jianqiu is both the Chairman and Chief Executive Officer of the Company. As Mr. Yu is the founder of the Group and has extensive experience in operations and management, the Board believes that it is in the best interest of the Group to have Mr. Yu taking up both roles for continuous effective management and business development of the Group.

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules from the Listing Date to 31 December 2014.

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

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

ANNUAL GENERAL MEETING

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

PUBLICATIONS OF RESULTS ANNOUNCEMENT

This results announcement is published on the websites of the Company (www.cmru.com.cn) and the Stock Exchange (www.hkex.com.hk). An annual report for the year ended 31 December 2014 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, 25 March 2015

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.