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中金資源

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 2015

FINANCIAL HIGHLIGHTS

- Revenue decreased by 53.6% to RMB1,790.8 million, as compared to 2014.
- Gross loss margin amounted to 7.8%, as compared to the gross profit margin of 1.1% for last year.
- Loss attributable to the equity shareholders of the Company for the year amounted to RMB499.0 million, as compared to the profit attributable to the shareholders of the Company of RMB248.5 million for last year.
- Loss per share for the year amounted to RMB0.24, as compared to the earnings per share of RMB0.12 for last year.
- Current ratio of 1.1 as at 31 December 2015, as compared to 2.2 as at 31 December 2014.
- Debt to equity ratio of 126.0% as at 31 December 2015, as compared to 58.4% as at 31 December 2014.
- The Board does not recommend the declaration of any final dividend for the year ended 31 December 2015.

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 2015, together with the comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	**2015** *RMB'000*	2014 *RMB'000*
Revenue	*3*	**1,790,750**	3,858,943
Cost of sales		**(1,930,181)**	(3,817,158)
Gross (loss)/profit		**(139,431)**	41,785
Other revenue	*5(a)*	**136,968**	439,898
Other net loss	*5(b)*	**(254,923)**	(1,543)
Selling and distribution expenses		**(8,223)**	(22,634)
Administrative expenses		**(161,141)**	(102,179)
(Loss)/profit from operations		**(426,750)**	355,327
Finance costs	*6(a)*	**(113,671)**	(57,630)
(Loss)/profit before taxation	*6*	**(540,421)**	297,697
Income tax	*7*	**37,285**	(49,431)
(Loss)/profit for the year		**(503,136)**	248,266
Attributable to:			
Equity shareholders of the Company		**(499,045)**	248,513
Non-controlling interests		**(4,091)**	(247)
(Loss)/profit for the year		**(503,136)**	248,266
(Loss)/earnings per share for the year	*8*		
Basic *(RMB)*		**(0.24)**	0.12
Diluted *(RMB)*		**(0.24)**	0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi)

	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(503,136)**	248,266
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	**(13,280)**	2,952
Total comprehensive income for the year	**(516,416)**	251,218
Attributable to:		
Equity shareholders of the Company	**(512,325)**	251,465
Non-controlling interests	**(4,091)**	(247)
	(516,416)	251,218

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015
(Expressed in Renminbi)

	Note	**2015** **RMB'000**	2014 RMB'000
Non-current assets			
Property, plant and equipment		**584,429**	559,308
Lease prepayments		**99,916**	85,618
Intangible assets		**–**	3,656
Interest in associates		**135,957**	–
Goodwill		**23,227**	39,308
Pledged deposits		**5,320**	12,820
Other non-current assets		**26,424**	34,134
Deferred tax assets		**37,749**	774
		913,022	735,618
Current assets			
Inventories	*12*	**249,002**	461,699
Trade and other receivables	*13*	**1,033,039**	1,021,829
Amounts due from related parties		**3,345**	–
Amounts due from associates		**458**	–
Pledged deposits		**53,886**	43,285
Cash and cash equivalents		**82,559**	145,765
		1,422,289	1,672,578
Current liabilities			
Trade and other payables	*14*	**474,799**	339,216
Obligations under finance leases		**15,192**	16,471
Bank loans and other borrowings		**661,510**	390,670
Amounts due to related parties		**6,098**	–
Amounts due to associates		**6,520**	–
Loans from a related party		**83,780**	–
Current taxation		**9,662**	19,988
		1,257,561	766,345
Net current assets		**164,728**	906,233
Total assets less current liabilities		**1,077,750**	1,641,851

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

	Note	**2015** *RMB'000*	2014 *RMB'000*
Non-current liabilities			
Bank loans and other borrowings		**–**	300,000
Obligations under finance leases		**23,090**	36,027
Liability component of convertible bonds		**166,488**	–
Derivative component of convertible bonds		**130,989**	–
Deferred government grants		**3,000**	31,048
Deferred tax liabilities		**–**	1,473
		323,567	368,548
NET ASSETS		**754,183**	1,273,303
CAPITAL AND RESERVES			
Share capital		**166,075**	166,075
Reserves		**578,913**	1,096,991
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**744,988**	1,263,066
Non-controlling interests		**9,195**	10,237
TOTAL EQUITY		**754,183**	1,273,303

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

China Metal Resources Utilization Limited ("the Company") was incorporated in the Cayman Islands on 22 February 2013. The Company and its subsidiaries (together referred to as "the Group") are principally engaged in the manufacturing and sales of copper and related products, sales of aluminium 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.

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 2015, 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

The consolidated financial statements for the year ended 31 December 2015 comprise the Group and the Group's interest in associates.

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 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.

The figures in respect of this announcement of the Group's results for the year ended 31 December 2015 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new Interpretation that were effective for the current accounting period of the Group. Of these, the following development are relevant to these financial statements:

— Amendments to IAS 19, *Defined Benefit Plans: Employee Contributions (Amendments to IAS19)*

— *Annual Improvements to IFRSs 2010–2012 Cycle* — various standards

— *Annual Improvements to IFRSs 2011–2013 Cycle* — various standards

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE

The principal activities of the Group are manufacturing and sales of copper and related products, sales of aluminium products, and provision of contract manufacturing services in the PRC.

Revenue represents the sales value of goods sold to customers less returns, discounts, and value added taxes and other sales tax, and contract manufacturing income which is analysed as follows:

	2015	2014
	RMB'000	*RMB'000*
Sales of recycled copper products	**1,662,987**	3,548,268
Sales of power transmission and distribution cables	**70,616**	181,490
Sales of communication cables	**29,398**	104,037
Sales of scrap materials	**15,755**	22,524
Sales of aluminium products	**10,834**	–
Contract manufacturing income	**1,160**	2,624
	1,790,750	3,858,943

Two customers (2014: one customer) of the Group represents more than 10% of the Group's total revenue for the year ended 31 December 2015. For the year ended 31 December 2015, the revenue from these two major customers (2014: one major customer) amounted to RMB738,862,000 (2014: RMB391,846,000).

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 presented the following four reportable segments, namely recycled copper products segment, power transmission and distribution cables segment, communication cables segment and aluminium products segment as at 31 December 2015.

(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: manufacturing and sales of power transmission and distribution cables;

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

(iv) Aluminium products segment: sales of aluminium products.

(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, such as 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 years ended 31 December 2015 and 2014 is set out below:

	2015				
	Recycled copper products *RMB'000*	**Power transmission and distribution cables** *RMB'000*	**Communication cables** *RMB'000*	**Aluminium products** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**1,679,878**	**70,616**	**29,422**	**10,834**	**1,790,750**
Inter-segment revenue	**137,478**	**441**	**726**	**–**	**138,645**
Reportable segment revenue	**1,817,356**	**71,057**	**30,148**	**10,834**	**1,929,395**
Reportable segment (loss)/profit	**(296,031)**	**(18,506)**	**(26,873)**	**101**	**(341,309)**
Interest income	**716**	**146**	**405**	**–**	**1,267**
Finance costs	**65,346**	**4,181**	**2,537**	**1**	**72,065**
Depreciation and amortisation for the year	**29,921**	**10,654**	**2,364**	**15**	**42,954**
VAT refunds, government grants and subsidies	**134,728**	**666**	**298**	**–**	**135,692**
Impairment loss of goodwill	**16,081**	**–**	**–**	**–**	**16,081**
Impairment loss of property, plant and equipment	**54,313**	**–**	**–**	**–**	**54,313**
Impairment loss of trade debtors and bills receivable	**80,374**	**14,907**	**17,549**	**–**	**112,830**
Warrant expenses	**12,079**	**–**	**–**	**–**	**12,079**

	2014			
	Recycled copper products *RMB'000*	Power transmission and distribution cables *RMB'000*	Communication cables *RMB'000*	Total *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 for the year	25,930	4,861	1,694	32,485
VAT refunds, government grants and subsidies	426,767	7,591	4,390	438,748

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

	2015 *RMB'000*	2014 *RMB'000*
Revenue		
Reportable segment revenue	**1,929,395**	4,166,989
Elimination of inter-segment revenue	**(138,645)**	(308,046)
Consolidated revenue	**1,790,750**	3,858,943
(Loss)/profit		
Reportable segment (loss)/profit derived from the Group's external customers	**(341,309)**	294,327
Unallocated head office and corporate expenses	**(162,855)**	(46,061)
Share of profit from associates	**1,028**	–
Consolidated (loss)/profit after taxation	**(503,136)**	248,266

(c) Geographic information

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

	2015 *RMB'000*	2014 *RMB'000*
Mainland China	**1,790,750**	3,832,104
Other countries	**–**	26,839
	1,790,750	3,858,943

5 OTHER REVENUE AND OTHER NET LOSS

(a) Other revenue

	2015 *RMB'000*	2014 *RMB'000*
VAT refunds		
— Employment of disabled staff *(note (i))*	**–**	7,679
— Comprehensive utilisation of resources *(note (ii))*	**96,681**	311,578
Government grants *(note (iii))*	**20,141**	85,400
Government subsidies *(note (iv))*	**18,870**	34,091
Interest income	**1,276**	1,150
	136,968	439,898

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% for the six months period ended 30 June 2015 (2014: 50%) of the net VAT paid/payable under the Adjustment and Improvement of VAT Policies for Products and Labour Services Relating to Comprehensive Utilisation of Resources (Cai Shui [2011] No. 115) (the "Former VAT Policy") jointly issued by the PRC State Administration of Taxation and Ministry of Finance.

The Ministry of Finance and the State Administration of Taxation jointly issued a notice concerning the "Catalogue on Products and Labour Services relating to Comprehensive Utilisation of Resources Eligible for Concessions of Value-added Tax" (Cai Shui [2015] (No. 78)) (the "New VAT Policy") on 12 June 2015, which replaced amongst others, the Former VAT Policy. The New VAT Policy took effect on 1 July 2015. Under the Former VAT Policy, certain subsidiaries of the Company are entitled to government grants for refunds of 50% of the net VAT paid/payable. According to the New VAT Policy, the applicable VAT refund for such subsidiaries are reduced to 30%.

(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 2015, the Group was granted unconditional government subsidies of RMB18,870,000 (2014: 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"), an associate of the Group. Baohe Fushan is principally engaged in the operation and the development of an industrial park in Mianyang City, Sichuan Province, where most of the Group's subsidiaries are located.

(b) Other net loss

	2015 ***RMB'000***	2014 *RMB'000*
Net gain/(loss) on copper futures contracts upon settlement	**6,111**	(670)
Changes in fair value of copper futures contracts	**–**	(525)
Net foreign exchange (loss)/gain	**(34)**	362
Net loss on sale of property, plant and equipment	**(116)**	(690)
Change in fair value of derivative component of convertible bonds	**(77,091)**	–
Impairment loss of goodwill	**(16,081)**	–
Impairment loss of property, plant and equipment	**(54,313)**	–
Share of profit of associates	**1,028**	–
Impairment loss of trade debtors and bills receivable	**(112,830)**	–
Others	**(1,597)**	(20)
	(254,923)	(1,543)

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	2015	2014
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans and other borrowings wholly repayable within five years	**67,431**	46,199
Finance charges on obligation under finance leases	**3,460**	5,403
Interest on loans from related parties	**68**	458
Interest on convertible bonds	**35,114**	–
Guarantee fees and other charges	**7,598**	5,570
	113,671	57,630
(b) Staff costs		
Salaries, wages and other benefits	**41,295**	43,305
Contributions to defined contribution retirement schemes	**6,280**	3,289
Share-based payment expenses	**31,874**	10,365
	79,449	56,959

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 for the year. 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.

	2015	2014
	RMB'000	*RMB'000*
(c) Other items		
Cost of inventories#	**1,930,181**	3,817,158
Depreciation of property, plant and equipment	**37,340**	27,076
Amortisation of lease prepayments	**1,958**	1,753
Amortisation of intangible assets	**3,656**	3,656
Auditor's remuneration		
— Audit service	**2,707**	2,454
— Other service	**441**	428
Listing expenses	**–**	14,658
Research and development costs	**1,637**	1,623

Cost of inventories includes RMB20,101,000 (2014: RMB35,766,000) 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, and RMB12,079,000 (2014: nil) relating to warrant expense, which is also included in the respective amount disclosed above or in note 4(a).

7 INCOME TAX

	2015	2014
	RMB'000	*RMB'000*
Current tax — PRC Corporate Income Tax		
Provision for the year	**218**	60,660
Adjustment for prior year	**945**	–
Effect of reduction in tax rate for prior year *(note (i))*	**–**	(10,344)
	1,163	50,316
Deferred tax		
Origination and reversal of temporary differences	**(38,448)**	(885)
	(37,285)	49,431

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.

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.

(i) 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 (LOSS)/EARNINGS PER SHARE FOR THE PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

(a) Basic

The calculation of basic (loss)/earnings per share is based on the loss attributable to the ordinary shareholders of the Company of RMB499,045,000 (2014: profit of RMB248,513,000) and the weighted average number of ordinary shares. For the purpose of calculating basic and diluted (loss)/earnings per share for the year ended 31 December 2014, the number of ordinary shares used in the calculation reflected the effects of the capitalisation issue which took place on 21 February 2014.

	2015	2014
(Loss)/profit attributable to equity shareholders of the Company *(RMB'000)*	**(499,045)**	248,513
Issued ordinary shares at 1 January	**2,105,145,600**	11,238,000
Effect of issue of new shares under the initial public offering ("IPO")	**–**	451,645,212
Effect of exercise of the over-allotment option	**–**	5,477,896
Effect of capitalisation issue	**–**	1,562,082,000
Weighted average number of ordinary shares in issue	**2,105,145,600**	2,030,443,108
Basic (loss)/earnings per share *(RMB)*	**(0.24)**	0.12

(b) Diluted

Diluted (loss)/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 (loss)/earnings per share is the same as basic (loss)/earnings per share for both years as all potentially dilutive potential ordinary shares were anti-dilutive.

9 DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 December 2015 (2014: HK3.0 cents per ordinary share).

	2015	2014
	RMB'000	*RMB'000*
Interim dividend declared and paid: nil (2014: HK3.0 cents) per ordinary share	**–**	50,138
Final dividend proposed after the end of the reporting period: nil (2014: HK3.0 cents) per ordinary share	**–**	50,008
	–	100,146

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

	2015	2014
	RMB'000	*RMB'000*
Dividend in respect of the year of 2014 paid during the year	**49,892**	50,138

10 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and Disposals

During the year ended 31 December 2015, the Group's additions to property, plant and equipment amounted to RMB116,503,000 (2014: RMB182,436,000). No material disposal of property, plant and equipment was made during the years ended 31 December 2015 and 2014.

(b) All of the Group's property, plant and equipment are located in the PRC. At 31 December 2015, property, plant and equipment with net book value of RMB214,270,000 (2014: RMB176,328,000) were pledged for certain banking facilities granted to the Group.

(c) During 2015, due to operating loss in the Group's business, the Group tested related cash generating units ("CGUs") for impairment. An impairment loss of RMB54,313,000 was recognised in "other net loss" for property, plant and equipment in CGU Mianyang Jinxin Copper Co., Ltd. ("Jinxin"). Considering Jinxin has suspended its production activities since September 2015, and there is no market price of similar assets, its value-in-use and the fair value less cost of disposal is nil. Thus, the carrying amount of Jinxin's property, plant and equipment was written down to its recoverable amount of nil. Except for Jinxin, no impairment loss on any other CGUs has been recognised in the consolidated statement of profit or loss.

11 INTEREST IN ASSOCIATES

	2015	2014
	RMB'000	*RMB'000*
Share of net assets	**35,642**	–
Goodwill	**100,315**	–
	135,957	–

Particulars of the associates are as follows:

Name	**Particulars of registered share capital/issued and paid in capital**	**Place of Registration and business**	**Percentage of ownership interest attributable to the Group**		**Principal activities**
			Direct	**Indirect**	
Deda Holdings Limited	Issued and paid in capital of USD1,000	BVI	30%	–	Investment holding
Hongkong Fujian Investments Limited	Issued and paid in capital of HK$1.0	Hong Kong	–	30%	Investment holding
Sichuan Baohe Fushan Resources Recycling Development Co., Ltd.	Registered capital of RMB100 million	The PRC	–	30%	Industrial park operation and development

On 22 April 2015, the Group entered into an agreement, pursuant to which the vendors of Baohe Fushan agreed to transfer 100% equity interest in Baohe Fushan to Hongkong Fujian Investments Limited ("Fujian"), a company wholly-owned by Deda Holdings Limited ("Deda") which, in turn, was then a wholly-owned subsidiary of the Company.

Upon the above equity transfer taking effect, Deda issued to the vendors 700 new ordinary shares at a nominal value of USD1.0 per share, representing 70% of Deda's issued share capital after the issue of the new ordinary shares.

Upon completion, Deda ceased to be a subsidiary of the Company. Since then, the Company holds 30% of the entire issued shares of Deda, which in turn indirectly holds 100% equity interest in Baohe Fushan.

The consideration paid by the Group to the vendors for the above transactions was RMB134,929,000, which was determined with reference to the valuation of Baohe Fushan as at 30 September 2014.

12 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**40,742**	239,450
Work in progress	**14,798**	32,146
Finished goods	**71,314**	75,292
Goods in transit	**122,148**	114,811
	249,002	461,699

At 31 December 2015, inventories of RMB53,063,000 (2014: RMB57,011,000) were pledged for banking facilities granted to the Group.

(b) The analysis of the amount of inventories recognised as an expense and included in the profit or loss is as follows:

	2015	2014
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**1,887,716**	3,812,215
Write down of inventories	**42,465**	4,943
	1,930,181	3,817,158

13 TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**565,742**	747,122
Less: Allowance for impairment loss	**(112,830)**	–
	452,912	747,122
Advance payments to suppliers	**402,531**	141,993
Government grants receivable	**111,055**	108,540
Other deposits, prepayments and receivables	**66,541**	24,174
	1,033,039	1,021,829

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

(b) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date and net of allowance for impairment loss is, as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 30 days	**64,139**	296,703
31 to 60 days	**4,931**	161,238
61 to 180 days	**39,752**	201,761
Over 180 days	**344,090**	87,420
	452,912	747,122

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

14 TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**15,176**	10,494
Bills payable	**45,800**	25,800
Receipts in advance	**41,299**	23,025
Accrued expenses and other payables	**372,524**	279,897
	474,799	339,216

(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 end of the reporting period, the ageing analysis of the trade and bills payable, based on transaction date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 30 days	**2,846**	4,386
31 to 60 days	**52,948**	1,280
61 to 180 days	**1,335**	27,615
Over 180 days	**3,847**	3,013
	60,976	36,294

15 SHARE CAPITAL

Authorised and Issued Share Capital

	Par value	No. of shares	Nominal value of ordinary shares
	HK$		*HK$'000*
Authorised:			
At 31 December 2014, 1 January 2015 and 31 December 2015	0.10	100,000,000,000	10,000,000

(equivalent to RMB8,071,000,000)

	Par value	No. of shares	Nominal value of ordinary shares
	HK$		*HK$'000*
Issued and fully paid:			
At 1 January 2014	0.10	11,238,000	1,123
Issue of shares under the IPO	0.10	525,001,600	52,500
Capitalisation issue	0.10	1,562,082,000	156,208
Issue of shares upon exercise of the over-allotment option under the IPO	0.10	6,824,000	683
At 1 January 2015 and 31 December 2015	0.10	2,105,145,600	210,514

(equivalent to RMB166,075,000)

16 NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

On 22 January 2016, the Company and Jizhong Hongyuan International Trading Company Limited (冀中宏遠國際貿易有限公司) ("the Purchaser") entered into the subscription agreement, pursuant to which the Purchaser conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 73,250,735 subscription shares to the Purchaser. The subscription price is HK$2.41 per subscription share and the aggregate consideration for the subscription is approximately HK$176,534,000. On the same day, the Purchaser also entered into a share sale agreement with Mr. Huang Weiping, a Director and a substantial shareholder of the Company pursuant to which Mr. Huang Weiping conditionally agreed to sell and the Purchaser conditionally agreed to purchase further 82,790,366 ordinary shares. If both transactions are completed, the Purchaser will hold approximately 7.16% of the Company's enlarged share capital. As at the date of this announcement, the transactions have not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In 2015, the continued slowdown in China's economic growth has resulted in a drop in demand of copper products. In addition, there have been several instances of sharp movements in copper prices during this period which resulted in some of our customers shrinking their purchase order sizes. Furthermore, the weakened liquidity of our customers resulted in several cases of overdue trades balances, consequently we had to reduce sales to certain of our customers in order to minimise credit risks. As a result of these factors, the Group recorded a decrease in sales volume in 2015 as compared to 2014, which translated into a decrease in revenue by 53.6% as compared to 2014. Effective from July 2015, the Ministry of Finance and the State Administration of Taxation adjusted down the VAT refunds from 50% to 30% under the Comprehensive Utilisation of Resources Policy, adversely affecting the Company's profitability. Also taking into account a significant increase in finance costs, an impairment loss of trade debtors and bills receivable, an impairment loss of goodwill and an impairment loss of property, plant and equipment, the Company incurred a net loss attributable to shareholders of the Company of RMB499.0 million for 2015.

Notwithstanding the challenging operating environment, we continued to strive to build our business to meet our long term growth objectives. In April 2015, in order to raise funds to strengthen its working capital and to finance the Group's future development and expansion, the Company completed the issuance of convertible bonds equivalent to approximately RMB200 million to Huarong (HK) International Holdings Limited.

In May 2015, the Company completed an acquisition of 30% equity interest in 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"). The Company expects the acquisition to provide a platform for potential vertical expansion of the Group into the upstream scrap metal business in the future. The acquisition of Baohe Fushan, which operates the industrial park that accommodates the Group's key subsidiaries, is expected to benefit the Group by securing land in the industrial park for future expansion and diversifying its business to broaden its revenue sources.

In November 2015, the Company completed an acquisition of 30% equity interest in Mianyang Xinhuan Aluminium Company Limited (綿陽鑫環鋁業有限公司) ("Xinhuan Aluminium"). In December 2015, the Company entered into an equity transfer agreement to further acquire the 70% equity interest in Xinhuan Aluminium. By expanding into the aluminium business, the Company expects to enlarge its sales volume, provide a wider product portfolio to the existing and potential customers and leverage the synergies by making use of the Company's existing sources of raw materials, logistics system and technical know-how. As at the date of this announcement, the transaction has not been completed and is subject to the approval from Ministry of Commerce of the People's Republic of China.

Recent developments

On 22 January 2016, the Company and Jizhong Hongyuan International Trading Company Limited (冀中宏遠國際貿易有限公司) ("the Purchaser") entered into the subscription agreement, pursuant to which the Purchaser conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 73,250,735 subscription shares to the Purchaser. The subscription price is HK$2.41 per subscription share and the aggregate consideration for the subscription is approximately HK$176,534,000. In view of the current market conditions at the time, the Directors considered that the subscription represents a good opportunity to raise funds for the Company for its operations. The subscription would provide immediate cash inflow into the Group without any interest burden. The proceed of the subscription will be used as general working capital of the Company. On the same day, the Purchaser also entered into a share sale agreement with Mr. Huang Weiping, a Director and a substantial shareholder of the Company pursuant to which Mr. Huang Weiping conditionally agreed to sell and the Purchaser conditionally agreed to further purchase 82,790,366 ordinary shares. If both transactions are completed, the Purchaser will hold approximately 7.16% of the Company's enlarged share capital. As at the date of this announcement, the aforementioned transactions have not been completed. Please refer to the announcement of the Company dated 22 January 2016 for further details.

Further, the Company has been selected by Hang Seng Indexes Company Limited as a constituent of the following indexes, with effect from 14 March 2016: (1) Hang Seng Global Composite Index; (2) Hang Seng Composite Index; (3) Hang Seng Composite Industry Index — Materials; (4) Hang Seng Composite MidCap & SmallCap Index; and (5) Hang Seng Composite SmallCap Index.

Future prospects/Outlook

Despite the various measures taken by the PRC Government to stimulate the Chinese economy over the past year, including the reduction of interest rates and bank reserve requirements and the increase in fiscal investments, the Chinese economy has not yet turned the corner. Demand for recycled copper and aluminium products remained sluggish and market liquidity continued to be tight. Under such present environment, we shall be operating cautiously in order to minimize business risks. However, in recent months, the housing market in major cities in China have started to improve and its activities have increased significantly. We are therefore hopeful that the housing market recovery will soon translate to improvements in demand of basic materials like copper and aluminium which will help improve our business. Meanwhile, we will be preparing ourselves to take full advantage of any improvements in the market environment to strengthen our business and increase profitability in that we will be preserving our financial strength and will continue to seek suitable acquisition opportunities which we believe are more available in the current environment.

Financial review

Revenue

Our revenue represents the fair value of consideration received or receivable for sales of goods and services in the ordinary course of business. Revenue 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 revenue:

	2015	2014
	RMB'000	*RMB'000*
Sales of recycled copper products	**1,662,987**	3,548,268
Sales of power transmission and distribution cables	**70,616**	181,490
Sales of communication cables	**29,398**	104,037
Sales of scrap materials	**15,755**	22,524
Sales of aluminium products	**10,834**	–
Contract manufacturing income	**1,160**	2,624
	1,790,750	3,858,943

Revenue for the year ended 31 December 2015 amounted to RMB1,790.8 million, representing a decrease of 53.6% from RMB3,858.9 million for the year ended 31 December 2014. The decrease in sales volume was principally due to the slowdown in economic growth in China, which resulted in a drop in the demand for the Group's copper products.

Revenue from recycled copper products amounted to RMB1,663.0 million for the year ended 31 December 2015, representing a decrease of 53.1% from RMB3,548.3 million for the year ended 31 December 2014, mainly reflecting a decrease of 44.2% in the sales volume of recycled copper products from 84,776 metric tons for the year ended 31 December 2014 to 47,283 metric tons for the year ended 31 December 2015. The overall average selling price of our recycled copper products decreased by 16.0% from RMB41,885 per metric ton for the year ended 31 December 2014 to RMB35,171 per metric ton for the year ended 31 December 2015.

Revenue from sales of power transmission and distribution cables amounted to RMB70.6 million for the year ended 31 December 2015, representing a decrease of 61.1% from RMB181.5 million for the year ended 31 December 2014, this reflected a decrease of 66.0% in sales volume from 5,276 metric tons for the year ended 31 December 2014 to 1,795 metric tons for the year ended 31 December 2015, and an increase of 14.3% in the average selling price of RMB34,401 per metric ton for the year ended 31 December 2014 to RMB39,334 per metric ton for the year ended 31 December 2015. The increase in the average selling price was primarily caused by changes in product mix.

Revenue from sales of communication cables amounted to RMB29.4 million for the year ended 31 December 2015, representing a decrease of 71.7% from RMB104.0 million for the year ended 31 December 2014. This decrease was a result of a decrease of 42.9% in sales volume from 2,452 metric tons for the year ended 31 December 2014 to 1,400 metric tons for the year ended 31 December 2015, and a decrease of 50.5% in average selling price of RMB42,435 per metric ton for the year ended 31 December 2014 to RMB20,994 per metric ton for the year ended 31 December 2015. The decrease in the average selling price was primarily caused by changes in product mix.

Cost of sales

Cost of sales for the year ended 31 December 2015 totaled RMB1,930.2 million, representing a decrease of 49.4% from RMB3,817.2 million for the year ended 31 December 2014. The decrease was mainly due to the decrease of 44.2% in the sales volume of recycled copper products, the decrease of 66.0% in the sales volume of power transmission and distribution cables and 42.9% in the sales volume of communication cables.

The cost of raw materials decreased by 49.4% from RMB3,639.4 million for the year ended 31 December 2014 to RMB1,841.4 million for the year ended 31 December 2015. Direct materials cost was the largest component of the Company's cost of sales, accounting for approximately 95.4% and 95.4% of the total cost of sales for the years ended 31 December 2014 and 2015, respectively.

Cost of sales, other than raw materials and finished goods purchased, was RMB88.8 million for the year ended 31 December 2015, representing a decrease of 50.1% from RMB177.8 million for the year ended 31 December 2014. The decrease was mainly attributable to a decrease in VAT-surtax from RMB73.2 million to RMB22.6 million. The VAT-surtax is calculated with reference to the amounts of net VAT paid to the tax authorities and the net VAT amount was directly related to the revenue from sales of our products. Furthermore, certain production staff cost and depreciation and amortization totaling RMB23.7 million were reclassified to administrative expenses under IAS 2, *Inventories* as certain plants were operating at an abnormally low utilization rate.

Gross (loss)/profit and gross (loss)/profit margin

Our gross loss was RMB139.4 million for the year ended 31 December 2015, as compared to a gross profit of RMB41.8 million for the year ended 31 December 2014. Our gross loss margin for the year ended 31 December 2015 was 7.8%, as compared to a gross profit margin of 1.1% for the year ended 31 December 2014. The deterioration in gross margin was mainly due to the decrease in average selling price of recycled copper products by 16.0% with a smaller decrease in average raw materials costs. Furthermore, the decrease in the Group's gross margin was also partly due to the decrease in the relative size of cable segments, as both communications cable segments and power cable segments command higher gross profit margin than those of recycled copper products.

Other revenue

Other revenue decreased significantly to RMB137.0 million for the year ended 31 December 2015 from RMB439.9 million for the year ended 31 December 2014. The decrease was mainly due to a decrease in VAT refunds under the Comprehensive Utilization of Resources Policy, the amount of which was directly related to the revenue from sales of our recycled copper products.

Other net loss

Our other net loss for the year ended 31 December 2015 was RMB254.9 million as compared to a net loss of RMB1.5 million for the year ended 31 December 2014. Our other net loss for the year ended 31 December 2015 mainly comprised a loss of RMB77.1 million as a result of change in fair value of the derivative component of convertible bonds, an impairment loss of goodwill amounting to RMB16.1 million, an impairment loss of property, plant and equipment amounting to RMB54.3 million and an impairment loss of trade debtors and bills receivable amounting to RMB112.8 million.

Selling and distribution expenses

Our selling and distribution expenses for the year ended 31 December 2015 were RMB8.2 million, representing a decrease of 63.7% from RMB22.6 million for the year ended 31 December 2014. The decrease was primarily due to the decrease in delivery expenses incurred, the amount of which was directly related to the revenue from sales of our products.

Administrative expenses

Our administrative expenses for the year ended 31 December 2015 were RMB161.1 million, representing an increase of 57.7% from RMB102.2 million for the year ended 31 December 2014. The increase was primarily due to, among other reasons, an increase in share-based compensation by RMB18.7 million as a result of more share options granted in 2015, an increase of salaries, wages and other benefits by RMB13.7 million and an increase in depreciation by RMB18.8 million, both primarily as a result of reclassification from certain cost of production under IAS 2, *Inventories* as certain plants were operating at an abnormally low utilization rate, and an increase in professional fees by RMB10.1 million.

Capital structure

As at 31 December 2015, the capital structure of the Group mainly consisted of shareholders' equity, bank and other borrowings and finance leases and convertible bonds. There is no material seasonality of borrowing requirements for the Group.

On 13 April 2015, the Company completed the issuance of convertible bonds to Huarong (HK) International Holdings Limited in an aggregate principal amount of USD32,610,000 (equivalent to approximately RMB200 million). The convertible bonds bear a fixed interest rate of 10% with interest to be paid on a quarterly basis. The convertible bonds will expire at the second anniversary of the issue date and are convertible into ordinary shares of HK$0.10 each in the issued share capital of the Company at an initial conversion price of HK$1.40 per share (subject to adjustment). The terms and conditions of the convertible bonds restrict the exercise of conversion right up to an aggregate principal amount of the convertible bonds of USD16,300,000, which is convertible to approximately 90,555,555 ordinary shares of the Company (based on a condition in the terms and conditions which provides that based on the agreed exchange rate, the principle amount of the convertible bond shall be deducted by USD0.18 upon the issue of one conversion share).

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

	As at 31 December 2015		As at 31 December 2014	
	Weighted average effective interest rate	**Amount**	Weighted average effective interest rate	Amount
	%	***RMB'000***	%	*RMB'000*
Fixed rate borrowings:				
Bank loans and other borrowings	**9.40**	**661,510**	9.49	690,670
Obligations under finance leases	**6.88**	**38,282**	7.06	52,498
Liability component of convertible bonds	**34.35**	**166,488**	–	–
Loan from a related party	**5.00**	**83,780**	–	–
Total fixed rate borrowings		**950,060**		743,168

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

	As at 31 December 2015					As at 31 December 2014		
	Bank and other borrowings	**Obligations under finance leases**	**Liability component of convertible bonds**	**Loan from a related party**	**Total**	Bank and other borrowings	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	**661,510**	**15,192**	**–**	**83,780**	**760,482**	390,670	16,471	407,141
After one year but within two years	**–**	**12,462**	**166,488**	**–**	**178,950**	300,000	14,309	314,309
After two year but within five years	**–**	**10,628**	**–**	**–**	**10,628**	–	21,718	21,718
	661,510	**38,282**	**166,488**	**83,780**	**950,060**	690,670	52,498	743,168

On 19 January 2015, the Company issued 133,650,000 warrants to seven subscribers at an issue price of HK$0.001 per warrant. Each warrant entitles its holder to subscribe for one share of the Company at a subscription price of HK$1.30 per share. The warrants are to be vested in phases according to the vesting conditions. The vesting condition is that the 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. For the year ended 31 December 2015, the suppliers have delivered an aggregate of 7,180 tons of copper scrap raw materials to the Group, resulting in the vesting of 19,385,878 warrants accordingly.

On 24 February 2015, the Company issued 102,000,000 warrants to three subscribers at an issue price of HK$0.001 per warrant. Each warrant entitles its holder to subscribe for one share of the Company at a subscription price of HK$1.50 per share. The warrants are to be vested in phases according to the vesting conditions. The vesting condition is that the 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. For the year ended 31 December 2015, the suppliers have delivered an aggregate of 2,449 tons of copper scrap raw materials to the Group, resulting in the vesting of 8,328,072 warrants accordingly.

Liquidity and financial resources

As at 31 December 2015, the Group's bank and cash balances (excluding pledged deposits of RMB53.9 million) amounted to RMB82.6 million (as at 31 December 2014: RMB145.8 million).

The Group's inventories decreased by RMB212.7 million to RMB249.0 million as at 31 December 2015 (as at 31 December 2014: RMB461.7 million). The inventory turnover days were 67.2 days as compared to 28.8 days in 2014. The increase in inventory turnover days was mainly due to a decrease in the Group's revenue during the year. The decrease in the revenue was primarily attributable to a drop in demand for copper products as a result of the continued slowdown in China's economic growth and the deferral and contraction of customers' sales orders as a result of several sharp fluctuations in copper prices in 2015.

Trade debtors and bills receivable decreased by RMB294.2 million to RMB452.9 million as at 31 December 2015 (as at 31 December 2014: RMB747.1 million). Trade debtors and bills receivable turnover days increased to 122.3 days as compared to 67.4 days in 2014. The increase in receivable turnover days reflected the fact that the liquidity in the banking and financial markets continued to be tight in 2015 which weakened the ability of our customers to settle trades balances within their credit periods.

Trade and bills payable increased by RMB24.7 million to RMB61.0 million as at 31 December 2015 (as at 31 December 2014: RMB36.3 million), the payable turnover days were 9.2 days, compared to 11.0 days in 2014. 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 increased by RMB206.9 million to RMB950.1 million as at 31 December 2015 (as at 31 December 2014: RMB743.2 million). The increase was mainly due to the issuance of convertible bonds, its initial fair value of loan portion amounted to approximately RMB137.2 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. The covenants had not been breached as at 31 December 2015.

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

	As at 31 December	
	2015	2014
Current ratio	**1.1**	2.2
Quick ratio	**0.9**	1.6
Debt to equity ratio*	**126.0%**	58.4%
Net debt to equity ratio#	**115.0%**	46.9%

* Total interest-bearing debts/Total equity.

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

The deterioration of current ratio and quick ratio as at 31 December 2015 compared to 31 December 2014 were primarily attributable to (i) certain 2-year bank loans coming to be due within one year; (ii) the increase in VAT payable as a result of deferral payments of VAT by certain subsidiaries and (iii) the increase in bills payable following greater amount of available facilities granted by banks.

The increase in debt to equity ratio and net debt to equity ratio as at 31 December 2015 compared to 31 December 2014 were mainly because of (i) the increase in debt level as a result of the issuance of convertible bonds by the Company and the increase of loan from a related party during the period; and (ii) the net loss for the year ended 31 December 2015.

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 at the dates indicated:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Property, plant and equipment	**214,270**	176,328
Lease prepayments	**53,390**	38,269
Inventories	**53,063**	57,011
Bills receivable	**–**	4,000
Government grants receivable	**8,550**	35,015
Deposits with guarantee companies	**30,900**	27,100
Deposits with banks	**22,982**	13,022
Deposit with lessor of finance leases	**5,320**	5,320
Deposits with securities broker	**4**	10,663
	388,479	366,728

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 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 the quoted market price as at the date of consolidated statement of financial position. The Group did not have outstanding copper futures contracts as at 31 December 2015 (notional contract value of outstanding copper future contracts as at 31 December 2014: RMB62.0 million). Net gain of RMB6.1 million were recognized for the year ended 31 December 2015 (2014: net loss of RMB1.2 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 and loans from a related party, both of which are denominated in HKD and the convertible bonds that are denominated in USD. The balance of cash and cash equivalents as at 31 December 2015 included HK$36.5 million and USD105,000 (in total equivalent to approximately RMB31.3 million) were held in banks in Hong Kong.

As at 31 December 2015, the Group's bank loans and other borrowings and obligations under finance leases were denominated in RMB but the loan from a related party was denominated in HKD with a principal amount of HK$100 million (equivalent to approximately RMB83.8 million) and the convertible bonds were denominated in USD, with an aggregate principal amount of USD32.6 million (equivalent to approximately RMB200 million). The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 December 2015. During the year ended 31 December 2015, the Company incurred an exchange difference on translation of financial statements of non-PRC entities equivalent to RMB13.3 million, part of which was resulted from translating the convertible bonds from USD to RMB.

Significant investments held

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company during the year ended 31 December 2015.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 27 May 2015, the Company completed an acquisition of 30% interest in Baohe Fushan. The total consideration for the acquisition was approximately RMB135 million. Please refer to the announcement of the Company dated 22 April 2015 for further details.

On 12 November 2015, the Company completed an acquisition of 30% equity interest in Xinhuan Aluminium. The total consideration for the acquisition was approximately RMB1.5 million. Please refer to the announcement of the Company dated 5 August 2015 for further details.

On 31 December 2015, the Company entered into an equity transfer agreement to further acquire the 70% equity interest in Xinhuan Aluminium. The total consideration for the acquisition was approximately RMB3.1 million. Please refer to the announcement of the Company dated 31 December 2015 for further details.

During the year ended 31 December 2015, save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Capital expenditures

For the year ended 31 December 2015, our capital expenditures represent additions to property, plant and equipment (including construction in progress) and lease prepayments on lands of approximately RMB125.1 million for the year ended 31 December 2015 (2014: RMB184.0 million). The capital expenditures were partly paid out of the net proceeds from the Listing.

Capital commitments

As at 31 December 2015, 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 RMB76.0 million (2014: RMB133.4 million). In addition, the Group had other capital commitment of approximately RMB3.1 million in respect of the acquisition of 70% equity interest in Xinhuan Aluminium. Please refer to the announcement of the Company dated 31 December 2015 for further details.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2015.

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 were approximately RMB420.0 million (after taking into account of provisions for professional fees in relation to the Listing) as at 31 December 2015. 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 estimate 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, a total of RMB297.6 million of the net proceeds from the Listing were applied for repaying loans from related parties, funding our planned capital expenditure in relation to additions to property, plant and equipment, land use rights, and research and development projects and repaying certain working capital loans.

During the year ended 31 December 2015, a total of RMB122.4 million of the net proceeds from the Listing were applied for funding our planned capital expenditure in relation to additions to property, plant and equipment, land use rights, and research and development projects.

Up to 31 December 2015, the net proceeds of the global offering had been fully used for the purposes described in the Prospectus.

Human resources

As at 31 December 2015, the Group had a total of 832 employees (2014: 864). The Group's staff costs for the year ended 31 December 2015 were approximately RMB79.4 million (2014: RMB57.0 million). The Group offers its staff competitive remuneration packages. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated professionals. The Group is also committed to social responsibility as seen in its employment of disabled staff and providing appropriate working conditions and protection to them.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

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

The Group itself is operating in the environmental protection industry by virtue of recycling scrap metal materials in the society. Contributing to resolve a significant part of pollution problem in the vicinity of our plants, the Group was highly praised and encouraged by the local governments. The Group is also committed to social responsibility as seen in its employment of disabled staff and providing appropriate working conditions and protection to them. The Group also advocated conservation of resources in office and encouraged employees to develop good habits, conserve resources and energy to build a green and comfortable office environment.

MAJOR CUSTOMERS AND SUPPLIERS

Suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier: 6% of cost of sales

— five largest suppliers combined: 23% of cost of sales

Sales

— the largest customer: 28% of revenue

— five largest customers combined: 63% of revenue

The scrap copper that we process comes from a variety of sources, including used household appliances, electrical equipment and transportation equipment, used cables and wires and scrap materials from certain industrial manufacturing processes. We purchase our scrap copper mainly from domestic suppliers located near our production facilities and elsewhere in other provinces of China. We conduct rigorous quality control tests at different stages of our production processes, including rigorous quality tests of our raw materials. Before entering into a business relationship with a new supplier, we conduct diligence on the supplier's background and reputation in the market to assess its suitability. In addition, we physically inspect each delivery of raw materials to ensure its compliance with contract specifications, including purity and copper content.

Maintaining strong relationships with our customers is important to us and we believe that our customers' willingness to work with us reflects, among others, our record of producing high quality products that meet industry standards and customer requirements.

None of the Directors of the Company or any of their associates or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and five largest suppliers.

Events after the Reporting Period

Save as disclosed in note 16 to the financial information, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2015 and up to the date of this announcement.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2015 (for the year ended 31 December 2014: HK3.0 cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 June 2016 to 6 June 2016, 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 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 1 June 2016.

REVIEW OF ANNUAL RESULTS

The audit and corporate governance committee of the Company (the "Audit Committee") has three members comprising three independent non-executive Directors, Mr. Lee Ting Bun Denny (Chairman of the Audit Committee), Mr. Pan Liansheng and Ms. Ren Ruxian, with written terms of reference in compliance with the Listing Rules.

The primary duties of the Audit Committee are mainly to communicate with the external auditor; to review the accounting policies, financial position and financial reporting procedures of the Group; and to assess the financial reporting system, internal control procedures and risk management function of the Group and to make recommendations thereof.

The Audit Committee has also reviewed the consolidated financial statements of the Group for the year ended 31 December 2015.

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 2015.

CORPORATE GOVERNANCE

Since the Listing Date, the Company has applied the principles of and is in compliance with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules save as disclosed below.

Code Provision A.2.1 provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established and set out in writing. Currently, Mr. Yu Jianqiu is both the Chairman and Chief Executive Officer of the Company. As Mr. Yu is the founder of the Group and has extensive experience in operations and management, the Board believes that it is in the best interest of the Group to have Mr. Yu taking up both roles for continuous effective management and business development of the Group.

Code provision A.6.7 provides that the independent non-executive Directors and non-executive Directors should attend general meetings of the Company. Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Due to other business engagements, the independent non-executive Directors were not able to attend the annual general meeting of the Company held on 9 June 2015. Nonetheless, certain executive Directors and senior management were present to answer questions from shareholders at the AGM. The Chairman of the board Mr. Yu Jianqiu attended the annual general meeting of the Company. To ensure compliance with the Corporate Governance Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors can attend the general meetings.

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

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

ANNUAL GENERAL MEETING

Notice of annual general meeting of the Company 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 2015 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders and business associates for their continuous support and the entire staff for their dedication and contribution to the Group during the year.

By Order of the Board
China Metal Resources Utilization Limited
YU Jianqiu
Chairman

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Yu Jianqiu (Chairman), Mr. Kwong Wai Sun Wilson, Mr. Huang Weiping and Ms. Zhu Yufen; and three independent non-executive directors, namely, Mr. Lee Ting Bun Denny, Mr. Pan Liansheng and Ms. Ren Ruxian.