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 2017

FINANCIAL HIGHLIGHTS

- Revenue increased by 178.5% to RMB13,741.9 million, as compared to 2016.
- Gross profit margin amounted to 0.9%, remaining stable as compared to 0.9% for last year.
- Profit attributable to the equity shareholders of the Company for the year amounted to RMB184.6 million, as compared to the loss attributable to the equity shareholders of the Company of RMB310.8 million for last year.
- Adjusted EBITDA* for the year amounted to RMB322.1 million, as compared to RMB52.0 million for last year.
- Earnings per share for the year amounted to RMB0.08, as compared to the loss per share of RMB0.14 for last year.
- Current ratio of 1.8 as at 31 December 2017, as compared to 1.0 as at 31 December 2016.
- Debt to equity ratio of 81.0% as at 31 December 2017, as compared to 113.7% as at 31 December 2016.
- The Board does not recommend the declaration of any final dividend for the year ended 31 December 2017.

* Adjusted EBITDA is a non-IFRS financial measure calculated as earnings before deduction of finance expenses and income, income tax, depreciation and amortisation, impairment loss and write-offs and share-based payment expense. It excludes the Group's share of results of associates.

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 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Revenue	3	**13,741,862**	4,933,625
Cost of sales		**(13,618,255)**	(4,890,742)
Gross profit		**123,607**	42,883
Other net income/(loss)	5	**450,172**	(48,132)
Selling and distribution expenses		**(20,519)**	(20,280)
Administrative expenses		**(153,636)**	(158,937)
Profit/(loss) from operations		**399,624**	(184,466)
Finance costs	6(a)	**(143,220)**	(134,045)
Profit/(loss) before taxation	6	**256,404**	(318,511)
Income tax	7	**(71,821)**	6,893
Profit/(loss) for the year		**184,583**	(311,618)
Attributable to:			
Equity shareholders of the Company		**184,583**	(310,820)
Non-controlling interests		**–**	(798)
Profit/(loss) for the year		**184,583**	(311,618)
Earnings/(losses) per share	8		
Basic (RMB)		**0.08**	(0.14)
Diluted (RMB)		**0.07**	(0.14)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in Renminbi)

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) for the year	**184,583**	(311,618)
Other comprehensive income for the year (after nil of tax)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside of mainland China	**3,897**	(17,468)
Total comprehensive income for the year	**188,480**	(329,086)
Attributable to:		
Equity shareholders of the Company	**188,480**	(328,288)
Non-controlling interests	**–**	(798)
Total comprehensive income for the year	**188,480**	(329,086)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	*10*	**568,460**	594,070
Lease prepayments		**95,672**	97,794
Interests in associates	*11*	**166,810**	37,435
Goodwill		**23,227**	23,227
Pledged deposits		**4,800**	4,800
Other non-current assets		**31,846**	23,922
Deferred tax assets		**20,039**	61,638
		910,854	842,886
Current assets			
Inventories	*12*	**453,169**	208,200
Trade and other receivables	*13*	**1,875,549**	1,001,927
Amounts due from associates		**6,221**	496
Amounts due from related parties		**10**	4,899
Pledged deposits		**43,437**	55,926
Cash and cash equivalents		**109,595**	164,142
		2,487,981	1,435,590
Current liabilities			
Trade and other payables	*14*	**570,296**	386,529
Obligations under finance leases		**12,451**	13,322
Bank loans and other borrowings		**682,560**	681,536
Amounts due to associates		**4,638**	5,150
Amounts due to related parties		**–**	764
Liability component of convertible bonds		**95,171**	211,810
Derivative component of convertible bonds		**–**	133,344
Current taxation		**36,481**	19,645
		1,401,597	1,452,100
Net current assets/(liabilities)		**1,086,384**	(16,510)
Total assets less current liabilities		**1,997,238**	826,376

	Note	**2017**	2016
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans and other borrowings		**531**	–
Obligations under finance leases		**691**	11,336
Liability component of convertible bonds		**453,436**	–
Deferred government grants		**6,204**	7,332
		460,862	18,668
NET ASSETS		**1,536,376**	807,708
CAPITAL AND RESERVES			
Share capital	*15*	**197,495**	182,579
Reserves		**1,338,881**	625,129
TOTAL EQUITY		**1,536,376**	807,708

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, sales and trading of copper, aluminium and related products. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 21 February 2014.

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 2017, but are extracted from those financial statements. These financial statements have been prepared in accordance with all applicable 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. 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 2017 comprise the Group and the Group's interests 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 the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary results announcement have been compared by the Group's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary results announcement.

The financial information relating to the years ended 31 December 2016 and 2017 that is included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. The non-statutory accounts (within the meaning of section 436 of the Companies Ordinance (Cap. 622) (the "Ordinance")) in this document are not specified financial statements (within such meaning). The specified financial statements for the year ended 31 December 2016 have been delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. The specified financial statements for the year ended 31st December 2017 have not been but will be delivered to the Registrar of Companies in Hong Kong in accordance with section 664 of the Ordinance. Auditor's reports have been prepared on the specified financial statements for the years ended 31 December 2016 and 2017. The report for 2017 was not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain statements under section 406(2) or 407(2) or (3) of the Ordinance.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

The Group has not adopted 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.

The amount of each significant category of revenue is as follows:

	2017	2016
	RMB'000	*RMB'000*
Sales from trading of electrolytic copper *(Note)*	**10,152,885**	3,522,236
Sales of recycled copper products	**3,532,396**	1,367,891
Sales of power transmission and distribution cables	**13,489**	3,099
Sales of communication cables	**34,460**	35,832
Sales of scrap materials	**5,948**	447
Sales of aluminium products	**–**	3,055
Contract manufacturing income	**2,684**	1,065
	13,741,862	4,933,625

Note: The Group has entered into trading activities of electrolytic copper since 2015 whereas the Group is considered the principal of the transactions as it controls the electrolytic copper before they are sold to the customers. The gross inflows of the trading activities are therefore recognised as revenue.

Two customers (2016: two customers) of the Group contributed more than 10% of the Group's total revenue for the year ended 31 December 2017. For the year ended 31 December 2017, the revenue from these two major customers (2016: two major customers) amounted to RMB6,455,945,000 (2016: RMB1,544,892,000).

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 2017.

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

(ii) Power transmission and distribution cables segment: manufacturing 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/(loss) is "profit/(loss) after taxation". To arrive at reportable segment profit/(loss), the Group's profit/(loss) 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 2017 and 2016 is set out below:

	2017				
	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	**13,693,913**	**13,489**	**34,460**	**–**	**13,741,862**
Inter-segment revenue	**269,565**	**260**	**930**	**–**	**270,755**
Reportable segment revenue	**13,963,478**	**13,749**	**35,390**	**–**	**14,012,617**
Reportable segment profit/(loss)	**295,873**	**39,680**	**(90)**	**–**	**335,463**
Interest income	**17,319**	**25**	**241**	**–**	**17,585**
Finance costs	**66,845**	**707**	**1,268**	**–**	**68,820**
Depreciation and amortisation	**26,074**	**8,306**	**3,504**	**86**	**37,970**
VAT refunds, government grants and subsidies	**279,064**	**17,490**	**6,940**	**–**	**303,494**
Impairment loss of trade debtors and bills receivable	**11,943**	**3,267**	**580**	**–**	**15,790**
Reversal of impairment loss of trade debtors and bills receivable	**95,333**	**47,685**	**229**	**–**	**143,247**

	2016				
	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	4,891,639	3,099	35,832	3,055	4,933,625
Inter-segment revenue	10,942	222	–	–	11,164
Reportable segment revenue	4,902,581	3,321	35,832	3,055	4,944,789
Reportable segment loss	(59,629)	(49,814)	(732)	(484)	(110,659)
Interest income	22,558	12	273	–	22,843
Finance costs	64,123	2,616	1,876	–	68,615
Depreciation and amortisation	24,433	8,322	3,292	86	36,133
VAT refunds, government grants and subsidies	141,245	13,155	1,791	–	156,191
Impairment loss of trade debtors and bills receivable	102,932	48,821	1,375	–	153,128
Reversal of impairment loss of trade debtors and bills receivable	24,457	3,965	152	–	28,574

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

	2017 *RMB'000*	2016 *RMB'000*
Revenue		
Reportable segment revenue	**14,012,617**	4,944,789
Elimination of inter-segment revenue	**(270,755)**	(11,164)
Consolidated revenue *(see note 3)*	**13,741,862**	4,933,625
Profit/(loss)		
Reportable segment profit/(loss) derived from the Group's external customers	**335,463**	(110,659)
Unallocated head office and corporate expenses	**(155,255)**	(202,752)
Share of profits of associates	**4,375**	1,793
Consolidated profit/(loss) for the year	**184,583**	(311,618)

(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 and the revenue and loss are presented.

5 OTHER NET INCOME/(LOSS)

	2017	2016
	RMB'000	*RMB'000*
VAT refunds		
— Comprehensive utilisation of resources *(note (i))*	**130,442**	40,098
— Others	**2,740**	–
Government grants *(note (ii))*	**83,012**	48,576
Government subsidies *(note (iii))*	**87,300**	67,517
Interest income	**1,538**	22,953
Net gain/(loss) on copper futures contracts upon settlement	**1,334**	(28)
Net foreign exchange gain/(loss)	**13,139**	(9,190)
Net loss on sale of property, plant and equipment	**(32)**	(22)
Change in fair value of derivative component of convertible bonds	**2,233**	6,633
Impairment loss of interest in an associate	**–**	(100,315)
Share of profits of associates	**4,375**	1,793
Impairment loss of trade and other receivables		
— Reversal of provision	**143,247**	28,574
— Charge for the year	**(15,790)**	(153,128)
Others	**(3,366)**	(1,593)
	450,172	(48,132)

Notes:

(i) The Group is entitled to government grants for refunds of 30% for the year ended 31 December 2017 (2016: 30%) of the net VAT paid/payable.

The Ministry of Finance and the State Administration of Taxation jointly issued a notice concerning the "Catalogue on Products and Labour Services relating to Comprehensive Utilisation of Resources Eligible for Concessions of Value-added Tax" (Cai Shui [2015] (No. 78)) (the "New VAT Policy") on 12 June 2015, which replaced, amongst others, Cai Shui [2011] No. 115 (the "Former VAT Policy")). Under the Former VAT Policy, certain subsidiaries of the Group are entitled to government grants for refunds of 50% of the net VAT paid/payable. The New VAT Policy took effect on 1 July 2015. According to the New VAT Policy, the applicable VAT refund for such subsidiaries are reduced from 50% to 30%.

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

(iii) In 2017, the Group was granted unconditional government subsidies of RMB87,300,000 (2016: RMB67,517,000) 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.

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	2017	2016
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans and other borrowings	**68,885**	59,669
Finance charges on obligation under finance lease	**1,396**	2,362
Interest on loans from related parties	**–**	4,790
Interest on convertible bonds	**67,137**	60,639
Guarantee fees and other charges	**5,802**	6,585
	143,220	134,045
(b) Staff costs		
Salaries, wages and other benefits	**29,354**	35,908
Contributions to defined contribution retirement schemes	**2,270**	2,918
Share-based payment expenses	**23,210**	37,406
	54,834	76,232

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.

The Group also participates in a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

	2017	2016
	RMB'000	*RMB'000*
(c) Other items		
Cost of inventories *(Note)*	**13,618,255**	4,890,742
Depreciation of property, plant and equipment	**35,848**	34,011
Amortisation of lease prepayments	**2,122**	2,122
Group auditor's remuneration		
— Audit services	**2,350**	2,150
— Review and other services	**1,236**	934
Local statutory auditor's remuneration		
— Audit services	**253**	268
Research and development costs	**1,414**	1,221

Note: Cost of inventories includes RMB16,693,000 (2016: RMB16,914,000) relating to staff costs, depreciation and amortisation, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX

	2017	2016
	RMB'000	*RMB'000*
Current tax — PRC Corporate Income Tax		
Provision for the year	**32,809**	15,897
Adjustment for prior year	**(2,587)**	1,099
	30,222	16,996
Deferred tax		
Origination and reversal of temporary differences	**41,599**	(23,889)
	71,821	(6,893)

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

No provision 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 PRC statutory income tax rate is 25% (2016: 25%). The Group's PRC subsidiaries are subject to PRC income tax at 25% unless otherwise specified.

According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. Certain subsidiaries of the Group which were qualified as high technology enterprises in 2016 are subject to income tax at 15% for the years from 2016 to 2019.

According to the "Notice on Corporate Income Tax Issues Concerning Further Implementation of Western China Development Strategy" (Guo Jia Shui Wu Zong Ju Gong Gao [2012] No.12) issued by State Administration of Taxation ("SAT"), companies in the western region that engage in the industries encouraged by the State can enjoy the preferential corporate income tax rate of 15% from 1 January 2011 to 31 December 2020, the Group's subsidiaries established in Mianyang city, Sichuan Province can enjoy the preferential tax rate of 15%.

According to PRC corporate income tax laws and its implementation rules, dividends receivable and interest income by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Mainland-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate 5% for dividend income and interest income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprises.

8 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

The calculation of basic earnings/(losses) per share is based on the profit attributable to ordinary shareholders of the Company of RMB184,583,000 (2016: loss of RMB310,820,000) and the weighted average number of ordinary shares in issue during the year.

	2017	2016
Profit/(loss) attributable to equity shareholders of the Company *(RMB'000)*	**184,583**	(310,820)
Issued ordinary shares at 1 January	**2,297,445,600**	2,105,145,600
Effect of exercise of share options	**4,228,767**	50,532,787
Effect of conversion of convertible bonds	**64,239,381**	10,645,902
Effect of issue of new shares	**41,197,362**	–
Effect of deemed issue of consideration shares	**3,642,752**	–
Weighted average number of ordinary shares in issue	**2,410,753,862**	2,166,324,289
Basic earnings/(losses) per share *(RMB)*	**0.08**	(0.14)

(b) Diluted earnings/(losses) per share

The calculation of diluted earnings/(losses) per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB184,583,000 (2016: loss of RMB310,820,000) and the weighted average number of ordinary shares of 2,490,011,393 (2016: 2,166,324,289 shares), calculated as follows:

(i) Profit attributable to ordinary shareholders of the Company (diluted)

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) attributable to equity shareholders of the Company (diluted)	**184,583**	(310,820)

(ii) Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares at 31 December	**2,410,753,862**	2,166,324,289
Effect of exercise of share options	**62,981,152**	–
Effect of exercise of warrants	**15,484,436**	–
Effect of share option lapsed but counted for a portion of period during the year	**791,943**	–
Weighted average number of ordinary shares in issue	**2,490,011,393**	2,166,324,289
Diluted earnings/(losses) per share (RMB)	**0.07**	(0.14)

9 DIVIDENDS

The board of directors does not recommend the payment of dividend for the year ended 31 December 2017 (for the year ended 31 December 2016: nil).

10 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and Disposals

During the year ended 31 December 2017, the Group's additions to property, plant and equipment amounted to RMB10,270,000 (2016: RMB43,674,000). No material disposal of property, plant and equipment was made during the years ended 31 December 2017 and 2016.

(b) All of the Group's property, plant and equipment are located in the PRC. At 31 December 2017, property, plant and equipment with net book value of RMB214,419,000 (2016: RMB202,891,000) were pledged for certain banking facilities granted to the Group.

(c) At 31 December 2017, the Group has yet to obtain property ownership certificates for buildings with an aggregate net book value of RMB40,466,000 (2016: RMB42,605,000). The directors of the Company are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2017 and 2016.

(d) The Group leases production plant and machinery under finance lease expiring from 3 to 5 years. At the end of the lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. None of these leases includes contingent rentals.

At 31 December 2017, the remaining lease periods varied from 12 months to 35 months and the net book value of plant and equipment under finance leases included in property, plant and equipment amounted to RMB44,645,000 (2016: RMB49,286,000).

11 INTERESTS IN ASSOCIATES

	2017	2016
	RMB'000	*RMB'000*
Interests in associates		
Share of net assets	**64,681**	37,435
Goodwill	**102,129**	100,315
Less: impairment loss *(Note)*	**–**	(100,315)
	166,810	37,435

Particulars of the associates are as follows:

Name of associate	**Particulars of registered share capital/issued and paid in capital**	**Place of incorporation and business**	**Proportion of ownership interest attributable to the Group** Direct	Indirect	**Principal activities**
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
Sichuan JX E-commerce Trading Co., Ltd. ("JX E-commerce")	Registered capital of RMB100 million	The PRC	–	25%	Operation of renewable metal electronic commerce platform

Summarised financial information of the material associate, adjusted for fair value adjustments at acquisition and differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Baohe Fushan		**JX E-commerce**
	2017	2016	**2017***
	RMB'000	*RMB'000*	***RMB'000***
Non-current assets	**178,563**	180,848	**20,169**
Current assets	**70,518**	53,989	**92,368**
Non-current liabilities	**(82,300)**	(89,630)	**(2,000)**
Current liabilities	**(28,135)**	(20,384)	**(18,115)**
Equity	**138,646**	124,823	**92,422**
Group's effective interest	**30%**	30%	**25%**
Group's share of net assets of the associates	**41,594**	37,447	**23,106**
Goodwill	**–**	–	**102,129**
Carrying amount of interest in the associates	**41,594**	37,447	**125,235**
Revenue	**–**	–	**11,677**
Profit from continuing operations	**13,821**	5,999	**939**
Other comprehensive income	**–**	–	**–**
Total comprehensive income	**13,821**	5,999	**939**
Group's effective interest	**30%**	30%	**25%**
Total comprehensive income	**4,146**	1,800	**236**
Elimination of unrealised profit on downstream sales	**–**	–	**–**
Group's share of total comprehensive income	**4,146**	1,800	**236**

* As at 31 December 2017 and for the period from 6 November 2017 to 31 December 2017.

Aggregate information of associates that are not individually material:

	2017	2016
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**(19)**	(12)
Other comprehensive income	**(7)**	(7)

12 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**129,306**	93,892
Work in progress	**14,976**	16,272
Finished goods	**23,398**	80,571
Goods in transit	**285,489**	17,465
	453,169	208,200

At 31 December 2017, inventories of RMB30,550,000 (2016: RMB29,000,000) 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:

	2017	2016
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**13,618,255**	4,885,454
Write-down of inventories	**–**	5,288
	13,618,255	4,890,742

13 TRADE AND OTHER RECEIVABLES

(a)

	2017	2016
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**1,201,125**	499,114
Less: Allowance for impairment loss	**(109,927)**	(237,384)
	1,091,198	261,730
Advance payments to suppliers	**609,823**	605,450
Government grants receivable	**63,865**	67,141
In-put VAT accrued	**81,350**	21,971
Other deposits, prepayments and receivables	**29,313**	45,635
	1,875,549	1,001,927

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 (which are included in trade and other receivables), based on the invoice date and net of allowance for impairment loss, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**615,758**	113,056
31 to 60 days	**318,384**	64,698
61 to 180 days	**109,630**	53,732
Over 180 days	**47,426**	30,244
	1,091,198	261,730

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

14 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**187,858**	48,969
Bills payable	**25,800**	41,800
Receipts in advance	**3,780**	15,397
Accrued expenses and other payables	**352,858**	280,363
	570,296	386,529

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

(a) Bills payable are normally issued with a maturity of not more than six months. At 31 December 2017, bills payable were secured by pledged deposits of RMB12,900,000 (2016: RMB20,900,000) placed with banks.

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

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**179,469**	6,955
31 to 60 days	**3,301**	78,799
61 to 180 days	**5,366**	1,447
Over 180 days	**25,522**	3,568
	213,658	90,769

15 SHARE CAPITAL

Authorised and Issued Share Capital

	Par value	No. of shares	
	HK$		*HK$'000*
Authorised:			
At 31 December 2016, 1 January 2017 and 31 December 2017	0.10	100,000,000,000	10,000,000

(equivalent to RMB8,071,000,000)

	No. of shares		
		HK$'000	*RMB'000*
Issued and fully paid:			
At 1 January 2016	2,105,145,600	210,514	166,075
Issuance of ordinary shares	135,000,000	13,500	11,500
Exercise of share options	57,300,000	5,730	5,004
At 31 December 2016, 1 January 2017	2,297,445,600	229,744	182,579
Exercise of share options (i)	4,500,000	450	398
Conversion of the 2015 CBs to equity (ii)	90,881,295	9,088	8,063
Issuance of ordinary shares (iii)	74,074,074	7,407	6,455
At 31 December 2017	2,466,900,969	246,689	197,495

(i) On 23 January 2017, share options were exercised to subscribe for 4,500,000 ordinary shares in the Company at a total consideration of RMB8,592,000 of which RMB398,000 and RMB8,194,000 were credited to share capital and share premium respectively. RMB841,000 was transferred from share based compensation reserve to share premium account.

(ii) On 18 April 2017, conversion rights of the 2015 CBs were exercised to convert the 2015 CBs in the principal amount of USD16,300,000 (equivalent to RMB112,071,000) at the adjusted conversion price of HK$1.39 to subscribe 90,881,295 ordinary shares of the Company. RMB8,063,000 and RMB241,075,000 were credited to share capital and share premium respectively.

(iii) On 12 June 2017, the Company issued 74,074,074 ordinary shares of HK$0.1 at the price of HK$2.70 per share to an independent third party, Prosper Rich Investments Limited. The net proceeds from the issue of these shares amounted to HK$194,000,000 (equivalent to RMB168,978,000). An amount of HK$7,407,000 (equivalent to RMB6,455,000), representing the par value of the share issued, was credited to the Company's share capital. The remaining amount of HK$186,593,000 (equivalent to RMB162,523,000) was credited to share premium.

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

The following significant events took place subsequent to 31 December 2017:

Sale and purchase agreement involving issue of consideration shares

On 7 February 2018, the Company entered into the sale and purchase agreement with Sure Victor Global Limited ("Sure Victor"), pursuant to which the Company agreed to purchase, and Sure Victor agreed to sell, 100 shares in Value Link Developments Limited ("Value Link"), representing 100% equity interest, for an aggregate consideration of HK$741,175,000, of which HK$287,647,000 shall be settled in cash and HK$453,528,000 shall be settled by way of allotment and issue of consideration shares.

The consideration is subject to adjustment pursuant to the earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Sure Victor, 94,485,000 shares will be issued under the sale and purchase agreement, representing approximately 3.83% of the issued share capital of the Company as at 7 February 2018 and approximately 3.69% of the issued share capital of the Company as enlarged by the allotment and issue of the consideration shares.

Sure Victor is a company incorporated in the British Virgin Islands. The Group of Sure Victor is principally engaged in the production of copper products through Hubei Rongsheng Copper Co., Ltd. ("Hubei Rongsheng"), its in-direct wholly owned subsidiary established in the PRC. Hubei Rongsheng has production capacity of 50,000 tons of recycled copper products on an annual basis.

As at the date of this announcement, the above-mentioned transaction is not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In 2017, the improvement in China's economic growth has resulted in an increase in the demand for copper products across the country and an increase in copper prices. As a result, the Group recorded an increase in sales volume of copper products in 2017 as compared with 2016, which translated into an increase in turnover by 178.5% as compared with last year. Such increase in sales was contributed not only by the increase in the Group's trading volume of electrolytic copper but also by the increase in production volume of its recycled copper products. Along with the increase in production and sales volume of recycled copper products, VAT refunds under the Comprehensive Utilisation of Resources Policy also recorded a corresponding increase during 2017. Furthermore, the improvement in the liquidity of our customers has resulted in the recovery of several long overdue trade receivable balances.

In order to take advantage of the expected recovery of the industrial metal market, the Group underwent several fund raising activities during 2017, namely, an issuance of 74,074,074 new ordinary shares for net proceeds of HK$194 million in June 2017, an issuance of convertible bonds with a total principal amount of HK$250 million in April 2017 and an issuance of convertible bonds with a total principal amount of HK$600 million in August 2017. In order to grasp the favorable opportunities to expand our scale, the Group also undertook few acquisitions recently, namely, the completion of a pre-IPO investment of 25% equity interest in Sichuan JX E-commerce in October 2017, the entering into sale and purchase agreements to acquire two target companies which have production facilities in Sichuan and Hubei in December 2017 and February 2018, respectively.

Future Prospects/Outlook

China's gross domestic product in the 2017 grew by 6.9%, which was higher than last year's 6.7%. This would appear to indicate that China's economy has stabilized and is back on its growth track. After several years of price adjustment, the commodity market in China has finally witnessed signs of stabilization along with the recommencing of the expansion phase of the economy. With the expected continued improvement in China's economy, commodity prices in China, especially industrial metal prices, are expected to continue to increase in the coming future. Potential demand for industrial metals will also increase if the global economy continues to improve. China has enforced a new regulation to prohibit the import of scrap metals into China as from 2018. Recent China Customs data showed that in January 2018 China's import of scrap copper decreased by 27.5% and 24% as compared to January 2017 and December 2017 respectively. Such new policy has created a solid catalyst for the improvement of industrial metal prices. On the monetary front, there were signs of easing in liquidity in China's financial markets.

At this juncture, we will be looking to increase our financial strength so that we will be able to take full advantage of further improvements in the market environment to strengthen our business and increase profitability. Our recently announced acquisitions of Silver Eminent Group Limited ("Silver Eminent") and Value Link are expected to contribute to the scale and profitability of our recycled copper business. As part of our expansion strategy, we shall be continuing to scale such similar acquisition opportunities which we believe will enhance our shareholder value.

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.

	2017	2016
	RMB'000	*RMB'000*
Sales from trading of electrolytic copper (Note)	**10,152,885**	3,522,236
Sales of recycled copper products	**3,532,396**	1,367,891
Sales of power transmission and distribution cables	**13,489**	3,099
Sales of communication cables	**34,460**	35,832
Sales of scrap materials	**5,948**	447
Sales of aluminium products	**–**	3,055
Contract manufacturing income	**2,684**	1,065
	13,741,862	4,933,625

Note The Group has entered into trading activities of electrolytic copper since 2015 whereas the Group is considered the principal of the transactions as it controls the electrolytic copper before they are sold to the customers. The gross inflows of the trading activities are therefore recognised as revenue.

Revenue for the year ended 31 December 2017 amounted to RMB13,741.9 million, representing an increase of 178.5% from RMB4,933.6 million for the year ended 31 December 2016. The increase in sales volume was principally from the increase in trading of electrolytic copper, such sales had a shorter turnover days and hence lower risk from fluctuation of copper price.

Revenue from trading of electrolytic copper amounted to RMB10,152.9 million for the year ended 31 December 2017, representing an increase of 188.3% from RMB3,522.2 million for the year ended 31 December 2016. It was mainly an increase of 130.7% in the sales volume of electrolytic copper from 102,832.0 metric tons for the year ended 31 December 2016 to 237,190.5 metric tons for the year ended 31 December 2017, with an increase of 25.0% in average selling price from RMB34,252 per ton for the year ended 31 December 2016 to RMB42,805 per ton for the year ended 31 December 2017.

Revenue from recycled copper products amounted to RMB3,532.4 million for the year ended 31 December 2017, representing an increase of 158.2% from RMB1,367.9 million for the year ended 31 December 2016. It was mainly an increase of 105.7% in the sales volume of recycled copper products from 40,282 metric tons for the year ended 31 December 2016 to 82,866 metric tons for the year ended 31 December 2017, with a increase of 25.5% in average selling price from RMB33,960 per ton for the year ended 31 December 2016 to RMB42,628 per ton for the year ended 31 December 2017.

Revenue from sales of power transmission and distribution cables amounted to RMB13.5 million for the year ended 31 December 2017, mainly representing a increase of 335.3% from RMB3.1 million for the year ended 31 December 2016, this reflected an increase of 2,026.7% in sales volume from 75 metric tons for the year ended 31 December 2016 to 1,595 metric tons for the year ended 31 December 2017.

Cost of sales

Cost of sales for the year ended 31 December 2017 totaled RMB13,618.3 million, representing an increase of 178.5% from RMB4,890.7 million for the year ended 31 December 2016. The increase was mainly due to the increase in sales from trading of electrolytic copper in 2017 amounted to RMB6,630.7 million compared with that in 2016.

Our gross profit was RMB123.6 million for the year ended 31 December 2017, as compared to RMB42.9 million for the year ended 31 December 2016. Our gross profit margin for the year ended 31 December 2017 remained consistent, as compared to a 0.9% for the year ended 31 December 2016.

Other net income/(loss)

Our other net income for the year ended 31 December 2017 was RMB450.2 million as compared to a net loss of RMB48.1 million for the year ended 31 December 2016. Our other net income for the year ended 31 December 2017 was primarily attributable to an increase in government subsidies, increase in VAT refunds of comprehensive utilisation of Resources Policy and a decrease in the provision for bad debts of trade receivables due to overall improvement in the metal industry, which resulted in the improvement in the trade receivables from sales of the Group's copper products. Our other net loss for the year ended 31 December 2016 mainly comprised an impairment loss of investment in associates amounting to RMB100.3 million, and a net impairment loss of trade debtors amounting to RMB124.6 million (a further impairment loss of RMB153.1 million netting of a reversal of RMB28.5 million).

Selling and distribution expenses

Our selling and distribution expenses for the year ended 31 December 2017 were consistent with that for the year ended 31 December 2016.

Administrative expenses

Our administrative expenses for the year ended 31 December 2017 were consistent with that for the year ended 31 December 2016.

Finance costs

Our finance costs for the year ended 31 December 2017 were RMB143.2 million, representing an increase of 6.8% from RMB134.0 million for the year ended 31 December 2016. The increase was primarily due to an increase in the interest on convertible bonds. The liability component of convertible bonds is subsequently carried at amortised cost that increases over time by the amount of effective interest, net of coupon interest paid. The interest charge recognised in profit or loss on the liability component is calculated using the effective interest rate on the amortised cost of the liability component, as such, the interest charge recognised thereof also increases over time during the life of the convertible bonds. During the year, liability component of convertible bonds increased by RMB336.8 million compared with that as at 31 December 2016.

Adjusted EBITDA

This MD&A makes reference to the term "adjusted EBITDA" which is not a recognized measure under IFRS, and do not have a standardized meaning prescribed by IFRS. Accordingly, the Company's use of this term may not be comparable to similarly defined measures presented by other companies. Management uses adjusted EBITDA to measure the Company's efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures or to repay debt. Investors are cautioned that the non-IFRS measures should not be construed as an alternative to net income determined in accordance with IFRS as an indication of the Company's performance. The following table set forth the calculation of adjusted EBITDA.

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) before taxation	**256,404**	(318,511)
Finance costs	**143,220**	134,045
Share-based payment expenses	**23,210**	37,406
Depreciation	**35,848**	34,011
Amortisation of lease prepayments	**2,122**	2,122
Interest income	**(1,538)**	(22,953)
Shares of profit of associates	**(4,375)**	(1,793)
Impairment loss of trade debtors and bills receivable	**15,790**	153,128
Reversal of impairment loss of trade debtors and bill receivable	**(143,247)**	(28,574)
Write off of inventory provisions	**(5,288)**	(37,177)
Impairment loss of interest in associate	**–**	100,315
	322,146	52,019

The increase in adjusted EBITDA for the year was mainly due to the increase in gross profit resulted from the growth in revenue and the increases in VAT refunds and government grants and subsidies.

Profit/(loss) for the year

Our profit for the year ended 31 December 2017 was RMB184.6 million as compared to the loss of RMB311.6 million for the year ended 31 December 2016. Such significant improvement was mainly due to the enlarged sales volume, the increases in VAT refunds and government grants and subsidies and the reversal of impairment loss of trade and other receivables. In addition, the loss for the last year was partly caused by the impairment loss of interest in an associate.

Capital structure

As at 31 December 2017, 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.

The following table details the interest rate profile of the Group's total interest-bearing borrowings at the end of reporting period:

	As at 31 December 2017		As at 31 December 2016	
	Effective interest rate %	**Amount** *RMB'000*	Effective interest rate %	Amount *RMB'000*
Fixed rate borrowings:				
Bank loans and other borrowings	**10.98**	**683,091**	8.72	681,536
Obligations under finance leases	**5.56**	**13,142**	6.67	24,658
Liability component of convertible bonds	**15.25**	**548,607**	34.35	211,810
Total fixed rate borrowings		**1,244,840**		918,004

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

	As at 31 December 2017			
	Bank and other borrowings *RMB'000*	**Obligations under finance lease** *RMB'000*	**Liability component of convertible bonds** *RMB'000*	**Total** *RMB'000*
Within one year or repayable on demand	**682,560**	**12,451**	**95,171**	**790,182**
After one year but within two years	**391**	**360**	**453,436**	**454,187**
After two year but within five years	**140**	**331**	**–**	**471**
More than five years	**–**	**–**	**–**	**–**
	683,091	**13,142**	**548,607**	**1,244,840**

	As at 31 December 2016			
	Bank and other borrowings *RMB'000*	Obligations under finance lease *RMB'000*	Liability component of convertible bonds *RMB'000*	Total *RMB'000*
Within one year or repayable on demand	681,536	13,322	211,810	906,668
After one year but within two years	–	11,336	–	11,336
After two year but within five years	–	–	–	–
More than five years	–	–	–	–
	681,536	24,658	211,810	918,004

On 23 January 2017, share options were exercised to subscribe for 4,500,000 ordinary shares in the Company at a total consideration of HK$9,720,000 (equivalent to RMB8,592,000), of which HK$450,000 (equivalent to RMB398,000) and HK$9,270,000 (equivalent to RMB8,194,000) were credited to share capital and share premium respectively. RMB841,000 was transferred from share-based compensation reserve to share premium account.

The Company received a conversion notice from the bondholder on 11 April 2017 to convert the 2015 CBs in the principal amount of USD16,300,000 (the "Conversion CBs"). Pursuant to the terms and conditions, the Company issued 90,881,295 shares upon conversion of the Conversion CBs at the adjusted conversion price of HK$1.39. The residual amount of USD16,310,000 (equivalent to approximately RMB112,141,000) had been fully repaid by the Company on 12 April 2017.

On 12 June 2017, the Company issued 74,074,074 ordinary shares of HK$0.1 at the price of HK$2.70 per share to an independent third party, Prosper Rich Investments Limited. The net proceeds from the issue of these shares amounted to HK$194,000,000 (equivalent to RMB168,978,000). An amount of HK$7,407,000 (equivalent to RMB6,455,000), representing the par value of the shares issued, was credited to the Company's share capital. The remaining amount of HK$186,593,000 (equivalent to RMB162,523,000) was credited to share premium.

Liquidity and financial resources

As at 31 December 2017, the Group's cash and cash equivalents (excluding pledged deposits of RMB48.2 million) amounted to RMB109.6 million (as at 31 December 2016: RMB164.1 million).

The Group's inventories increased by RMB245.0 million to RMB453.2 million (as at 31 December 2016: RMB208.2 million). During the year ended 31 December 2017, the inventory turnover days were 8.9 days as compared with 17.1 days for the year ended 31 December 2016. The decrease in inventory turnover days was mainly due to the increase in sales from trading of electrolytic copper and the turnover days of such sales were shorter.

Trade debtors and bills receivable increased by RMB829.5 million to RMB1,091.2 million as at 31 December 2017 (as at 31 December 2016: RMB261.7 million). Trade debtors and bills receivable turnover days decreased to 18.0 days as compared to 26.4 days in 2016. The decrease in receivable turnover days was primarily contributed to the increase in sales from trading of electrolytic copper, the credit period of which we grant to customers is shorter.

Trade and bills payable increased by RMB122.9 million to RMB213.7 million as at 31 December 2017 (as at 31 December 2016: RMB90.8 million), the payable turnover days were 4.1 days, compared to 5.7 days in 2016. Payable turnover days for the year was relatively stable as compared with last year. Furthermore, 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 RMB326.8 million to RMB1,244.8 million as at 31 December 2017 (as at 31 December 2016: RMB918.0 million). The overall increase was mainly due to the issuance of new convertible bonds to China Huarong International Holdings Limited ("Huarong") and Prosper Rich Investments Limited ("Prosper Rich") on 11 August 2017, net of the repayments of certain bank loans and other borrowings and obligations under finance leases. Bank loans and other borrowings included three entrusted loans of RMB100.0 million each (in total: RMB300.0 million) from Mianyang Science Technology City Development Investment (Group) Co., Ltd. (綿陽科技城發展投資(集團)有限公司) ("Mianyang Development Group"). Pursuant to the entrusted loan agreement signed among Tongxin, a wholly owned subsidiary of the Company, Mianyang Development Group and the entrusted bank, the entrusted loans expired on 27 August 2016, 23 September 2016 and 18 November 2016 respectively. Mianyang Development Group, the entrusted bank and Tongxin have agreed that, the entrusted loan would not be repayable until further agreed otherwise. As at 31 December 2017 and up to the date of this announcement, the negotiation was still on going.

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

	As at 31 December	
	2017	2016
Current ratio	**1.8**	1.0
Quick ratio	**1.5**	0.8
Debt to equity ratio*	**81.0%**	113.7%
Net debt to equity ratio#	**73.9%**	93.3%

* Total interest-bearing debts/Total equity

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

The improvement of current ratio and quick ratio as at 31 December 2017 compared with those as at 31 December 2016 were primarily attributable to (i) issuance of 74,074,074 new ordinary shares for HK$200 million on 12 June 2017 and (ii) the conversion of convertible bonds, which were issued in April 2015, into 90,881,295 ordinary shares on 18 April 2017, whose derivative component was accounted for as an item of interest-bearing debts at 31 December 2016.

The decrease in debt to equity ratio and net debt to equity ratio as at 31 December 2017 compared with those as at 31 December 2016 was mainly because of (i) the issuance of 74,074,074 new ordinary shares for HK$200 million on 12 June 2017; (ii) conversion of convertible bonds, which were issued in April 2015, into 90,881,295 ordinary shares on 18 April 2017; and (iii) the net profit for the year ended 31 December 2017.

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	
	2017	2016
	RMB'000	*RMB'000*
Property, plant and equipment	**214,419**	202,891
Lease prepayments	**91,853**	90,936
Inventories	**30,550**	29,000
Government grants receivable	**–**	8,550
Deposits with guarantee companies	**1,500**	6,000
Deposits with banks	**12,900**	20,900
Deposits with lessors of finance leases	**4,800**	5,320
Deposit with other companies	**29,037**	28,506
	385,059	392,103

Commodity risk

The major raw materials used in the production of our recycled copper products is scrap copper. We are exposed to fluctuations in the price of copper which are influenced by global as well as regional supply and demand conditions. Fluctuations in the copper prices of raw materials could adversely affect our financial performance. The Group uses copper futures contracts to mitigate its exposure against price fluctuations of copper raw materials. The market value of futures contracts is based on the quoted market price at settlement or the end of the reporting period. The Group did not have outstanding copper futures contracts as at 31 December 2017 (as at 31 December 2016: Nil). Net gain of RMB1.3 million was recognized for the year ended 31 December 2017 (2016: net loss of RMB28,000).

Foreign currency risk

The functional currency of a majority of the entities within our Group is RMB and most of the transactions are settled in RMB. However, we are exposed to currency risk primarily related to the cash and cash equivalents 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 2017 including HK$56.1 million and USD9,302 (in total equivalent to approximately RMB47.0 million) were held in banks in Hong Kong.

As at 31 December 2017, the Group's bank loans and other borrowings and obligations under finance leases were denominated in RMB but the convertible bonds were denominated in HKD, with an aggregate principal amount of HK$715.0 million (equivalent to approximately RMB595.0 million at the date of the issuance). The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 December 2017. During the year ended 31 December 2017, the Company incurred an exchange difference on translation of financial statements of entities outside of mainland China entities equivalent to RMB3.9 million, part of which was resulted from translating the convertible bonds from HKD to RMB.

Significant investments held

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other companies during the year ended 31 December 2017.

Material acquisitions and disposals of subsidiaries and affiliated companies

On 25 October 2017, Fuqing Zhongjin Nonferrous Metal Materials Co., Ltd. ("Fuqing Zhongjin"), an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Sichuan Xijiulong Investment Co., Ltd. ("Sichuan Xijiulong"), pursuant to which Fuqing Zhongjin agreed to make a pre-IPO investment in JX E-commerce by acquiring from Sichuan Xijiulong 25% equity interest in JX E-commerce for a cash consideration of RMB125,000,000. Such transaction has been completed in November 2017. Please refer to the announcements of the Company dated 25 October 2017 for further details.

On 15 December 2017, the Company entered into the Sale and Purchase Agreement with Yuanxin Ventures Limited ("Yuanxin"), pursuant to which the Company agreed to purchase, and Yuanxin agreed to sell, 100% of the issued share capital in Silver Eminent for an aggregate consideration of HK$317,647,000, of which HK$158,823,500 shall be settled in cash and HK$158,823,500 shall be settled by way of allotment and issue of consideration shares. The consideration is subject to adjustment pursuant to the earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Yuanxin, 41,796,000 shares will be issued under the Sale and Purchase Agreement. Please refer to the announcements of the Company dated 15 December 2017 and 29 December 2017 for further details.

During the year ended 31 December 2017, 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 2017, the Group's capital expenditures represent additions to property, plant and equipment (including construction in progress) of approximately RMB28.7 million (2016: RMB40.2 million). The capital expenditures were mainly financed from internal resources.

Capital commitments

As at 31 December 2017, 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 RMB76.9 million (as at 31 December 2016: RMB40.9 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2017.

Events after the Reporting Period

On 7 February 2018, the Company entered into the Sale and Purchase Agreement with Sure Victor pursuant to which the Company agreed to purchase, and Sure Victor agreed to sell, 100 shares in Value Link, representing 100% equity interest, for an aggregate consideration of HK$741,175,000, of which HK$287,647,000 shall be settled in cash and HK$453,528,000 shall be settled by way of allotment and issue of consideration shares. The consideration is subject to adjustment pursuant to the Earn-out Arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Sure Victor, 94,485,000 shares will be issued under the sale and purchase agreement, representing approximately 3.83% of the issued share capital of the Company as at 7 February 2018 and approximately 3.69% of the issued share capital of the Company as enlarged by the allotment and issue of the consideration shares. Sure Victor is a company incorporated in the British Virgin Islands. The Group of Sure Victor is principally engaged in the production of copper products through Hubei Rongsheng, its in-direct wholly owned subsidiary established in the PRC. Hubei Rongsheng has production capacity maximum to 50,000 tonnes of recycled copper products on an annual basis. As at the date of this announcement, such transaction has not yet completed. Please refer to the announcement of the Company dated 7 February 2018 for further details.

Save as disclosed above and disclosed in note 16 to the financial statements, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2017 and up to the date of release of this announcement.

Human resources

As at 31 December 2017, the Group had a total of 521 employees (2016: 477). The Group's staff costs for the year ended 31 December 2017 were approximately RMB54.8 million (2016: RMB76.2 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.

For a more comprehensive review, please refer to the 2017 Environmental, Social and Governance Report of the Company that will be dispatched to the shareholders of the Company and available on the website of the Company and the Stock Exchange in due course.

MAJOR CUSTOMERS AND SUPPLIERS

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: 25% of cost of sales

Sales

— the largest customer: 34% of revenue

— five largest customers combined: 59% 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.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 June 2018 to 6 June 2018, 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 31 May 2018.

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 2017.

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 2017.

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, an executive Director and an independent non-executive Director were not able to attend the annual general meeting of the Company held on 6 June 2017.

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). The annual report for the year ended 31 December 2017 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

ACKNOWLEDGEMENT

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

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

Hong Kong, 27 March 2018

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.