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CHINA METAL RESOURCES UTILIZATION LIMITED

中國金屬資源利用有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1636)

(1) AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022; AND (2) CONTINUED SUSPENSION OF TRADING

AUDITED FINANCIAL HIGHLIGHTS

- Revenue decreased by 69.0% to RMB2,391.7 million, as compared to 2021.
- Gross loss margin amounted to 12.0%, as compared to a gross profit margin of 2.0% for last year.
- Provision for doubtful debts amounted to RMB2,222.7 million in 2022, as compared to RMB103.6 million in 2021.
- Impairment for advance payment to suppliers amounted to RMB1,948.5 million in 2022, as compared to nil in 2021.
- Loss attributable to the owners of the Company for the year amounted to RMB4,763.2 million, as compared to the loss attributable to the owners of the Company of RMB95.5 million for last year.
- Loss per share for the year amounted to RMB1.10, as compared to loss per share of RMB0.03 for last year.
- Current ratio of 0.35 as at 31 December 2022, as compared to 1.20 as at 31 December 2021.
- Debt to equity ratio of -59.1% as at 31 December 2022, as compared to 105.3% as at 31 December 2021.
- The Board does not recommend the declaration of any final dividend for the year ended 31 December 2022.

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 2022, together with the comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2022
(Expressed in Renminbi)*

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
REVENUE	5	2,391,709	7,719,448
Cost of sales		<u>(2,679,759)</u>	<u>(7,567,848)</u>
GROSS (LOSS)/PROFIT		(288,050)	151,600
Other income/(expenses), gain/(loss), net	6	136,137	269,866
Selling and distribution expenses		(7,910)	(18,182)
Administrative expenses		(195,244)	(131,955)
Provision for doubtful debts, net		(2,222,673)	(103,558)
Impairment of advance payments to suppliers		(1,948,484)	–
Finance costs	7	(234,210)	(221,483)
Share of losses of associates		<u>(791)</u>	<u>(427)</u>
Loss before tax	8	(4,761,225)	(54,139)
Income tax expense	9	<u>(1,927)</u>	<u>(41,338)</u>
Loss for the year attributable to owners of the company		(4,763,152)	(95,477)
Other comprehensive (loss)/income after tax: <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(39,714)</u>	<u>23,720</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(39,714)</u>	<u>23,720</u>
Total comprehensive loss for the year attributable to owners of the company		<u><u>(4,802,866)</u></u>	<u><u>(71,757)</u></u>
Loss per share	10		
Basic (RMB per share)		<u><u>(1.10)</u></u>	<u><u>(0.03)</u></u>
Diluted (RMB per share)		<u><u>(1.10)</u></u>	<u><u>(0.03)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Expressed in Renminbi)

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		448,216	512,702
Right-of-use assets	<i>12</i>	104,495	113,202
Interests in associates		47,106	48,001
Prepayments, other receivables and other assets		19,756	19,756
		<hr/>	<hr/>
Total non-current assets		619,573	693,661
		<hr/>	<hr/>
Current assets			
Inventories		100,946	189,455
Trade and bills receivables	<i>13</i>	236,494	2,311,465
Prepayments, other receivables and other assets		709,450	2,628,316
Amounts due from associates		25,110	25,780
Amounts due from related parties		179	10
Pledged deposits		703,928	873,359
Cash and cash equivalents		2,391	11,953
		<hr/>	<hr/>
Total current assets		1,778,498	6,040,338
		<hr/>	<hr/>
Total assets		2,398,071	6,733,999
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Current liabilities			
Trade and bills payables	<i>14</i>	1,613,636	1,343,685
Other payables and accruals		1,734,252	1,605,871
Note payables		23,511	21,519
Interest-bearing bank and other borrowings		1,338,370	1,185,554
Convertible bonds		231,720	585,733
Lease liabilities		1,858	3,946
Consideration liabilities		—	121,383
Amounts due to a director		207	—
Amounts due to associates		213	—
Amount due to a related party		61,872	55,777
Tax payable		91,586	90,428
		<hr/>	<hr/>
Total current liabilities		5,097,225	5,013,896
		<hr/>	<hr/>
Net current (liabilities)/assets		(3,318,727)	1,026,442
		<hr/>	<hr/>
Total assets less current liabilities		(2,699,154)	1,720,103
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		372	3,212
Deferred government grants		1,322	6,558
Deferred tax liabilities		1,152	936
		<hr/>	<hr/>
Total non-current liabilities		2,846	10,706
		<hr/>	<hr/>
NET (LIABILITIES)/ASSETS		(2,702,000)	1,709,397
		<hr/>	<hr/>
EQUITY			
Share capital	<i>15</i>	363,611	280,461
Reserves		(3,065,611)	1,428,936
		<hr/>	<hr/>
TOTAL EQUITY		(2,702,000)	1,709,397
		<hr/>	<hr/>

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 trading of copper 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.

The consolidated financial statements are presented in Renminbi (“RMB”), while the Company’s functional currency is Hong Kong Dollars (“HK\$”).

2. GOING CONCERN BASIS

The Group recorded a net loss of approximately RMB4,763,152,000 and RMB95,477,000 respectively for two consecutive years ended 31 December 2022 and 2021. As at 31 December 2022, the Group had net current liabilities of approximately RMB3,318,727,000 and net liabilities of approximately RMB2,702,000,000. By the end of the reporting period, the Group had cash and cash equivalents of approximately RMB2,391,000, while debts repayable within one year or on demand (including interest-bearing bank and other borrowings, convertible bonds and note payables) were approximately RMB1,593,601,000. In addition, as at 31 December 2022, the Group had defaulted the repayment of convertible bonds, entrusted loans, interest-bearing bank and other borrowings and note payables of approximately RMB231,720,000, RMB306,116,000, RMB981,661,000 and RMB23,511,000 respectively. These defaults may trigger cross default clauses as stated in the contracts of certain other borrowings of approximately RMB46,793,000 as at 31 December 2022. In addition, as described in note 38 to the consolidated financial statements, as at 31 December 2022, the Group was also involved in various litigations resulting in the freezing of several bank accounts and the seizure of property, plant and equipment, right-of-use assets and inventories. All these conditions indicated the existence of material uncertainties which may cast significant doubt as to the Group’s ability to continue as a going concern.

In light of the above, the Directors of the Company have implemented, or in the process of implementing various financial plans and measures to mitigate the liquidity pressure and to improve its financial position. These measures included but not limited to the followings:

- (i) The Group is in the process of restructuring the debt. Mianyang Tongxin Copper Co., Ltd. (綿陽銅鑫銅業有限公司) (“Tongxin”), a wholly-owned subsidiary of the Company; and Mianyang Jin Xunhuan Metal Materials Co., Ltd. (綿陽金循環金屬材料有限公司) (“Jin Xunhuan”), an indirect wholly-owned subsidiary of the Company, were both undergoing a restructuring with the existing debt holders in accordance with the applicable provisions of the Enterprise Bankruptcy Law in the People’s Republic of China (the “PRC”). The restructuring involved the filing of a voluntary application for bankruptcy reorganisation with the People’s Court of Youxian District (the “Youxian Court”) in the Mianyang City, Sichuan Province, the PRC. Subsequent to the reporting period, on 3 January 2023, the Company received from the Youxian Court concerning the Youxian Court’s civil rulings, court decisions and notice to the Relevant Subsidiaries (collectively known as “Youxian Court Documents”) regarding the reorganisation. Pursuant to which, the Youxian Court Documents indicated that the Youxian Court accepted the application from the Relevant Subsidiaries for bankruptcy reorganisation in accordance with the Enterprise Bankruptcy Law in the PRC. The first creditors’ meeting was held on 28 March 2023.

In addition to the bankruptcy reorganisations of the Tongxin and Jin Xunhuan, Mianyang Baohe Taiyue Communications Cable Co. Ltd. (綿陽保和泰越通信線纜有限公司) (“Taiyue”), an indirect wholly-owned subsidiary of the Company, also intends to restructure its existing indebtedness through the applicable provisions of the Enterprise Bankruptcy Law of the PRC. A voluntary application for the aforementioned bankruptcy reorganization of Taiyue (the “Taiyue Bankruptcy Reorganisation Application”, and together with the Bankruptcy Reorganisation Application, the “Bankruptcy Reorganisation Applications”) has been filed with the Youxian Court on 18 May 2023. On 24 May 2023, Taiyue received the Youxian Court’s civil ruling dated 23 May 2023. According to the civil ruling dated 23 May 2023, the Youxian Court has accepted the Taiyue Bankruptcy Reorganisation Application.

Hunan Yinlian Xiangbei Copper Co., Ltd. (湖南銀聯湘北銅業有限公司) (“Yinlian Xiangbei”), an indirect wholly-owned subsidiary of the Company, received a civil ruling (the “Civil Ruling”) from the People’s Court of Miluo City, Hunan Province (the “Court of Miluo City”) in relation to a petition for winding-up against Yinlian Xiangbei filed by Hunan Miziyuan Asset Holdings Co., Ltd. (湖南汨之源實業集團有限公司) (“Miziyuan”), a creditor of Yinlian Xiangbei, on the ground that Yinlian Xiangbei was unable to repay the debts falling due. The debts involved were in the amount of approximately RMB11.9 million. Yinlian Xiangbei opposed the petition and applied to the Court of Miluo City for bankruptcy reorganisation instead. According to the Civil Ruling, after taking into account the situation of Yinlian Xiangbei and the bankruptcy reorganisation of the Company’s other three subsidiaries in Mianyang City, Sichuan Province, the Court rejected Miziyuan’s petition for winding-up and accepted Yinlian Xiangbei’s bankruptcy reorganisation application on 21 July 2023.

Hubei Rongsheng Copper Co., Ltd* (湖北融晟金屬製品有限公司) (“Hubei Rongsheng”), an indirect wholly-owned subsidiary of the Company, received a decision dated 12 September 2023 and notice to Hubei Rongsheng dated 12 September 2023 from the People’s Court of Yunmeng County, Hubei Province in relation to Hubei Rongsheng’s application for pre-restructuring in accordance with the pre-restructuring procedure under the applicable provisions of the Enterprise Bankruptcy Law of the People’s Republic of China to prepare for its intended bankruptcy reorganisation application an 12 September 2023.

Tongxin, Jin Xunhuan, Taiyue, Yinlian Xiangbei and Hubei Rongsheng are collectively known as the “Relevant Subsidiaries”;

- (ii) The Company has been negotiating with Huarong for further extension of the Huarong CBs, which were matured and fall due on 31 December 2022 and with creditors, banks, financial institutions and note holders for alternative refinancing and/or extension of the due dates;
- (iii) The Group has been liaising with banks and financial institutions from which cross default clauses as stipulated in the relevant loan agreements were breached by the Group;
- (iv) The Group has been actively seeking other financing arrangements with a view to obtain new funding;
- (v) The Group has been endeavouring to improve the Group’s operating performance and cash flows through cost control measures and working capital management to maintain sufficient liquidity; and
- (vi) The Group has been in the process of resolving the Group’s litigation to release the freezing orders on bank accounts and seizure orders on property, plant and equipment, right-of-use assets and inventories.

The Directors of the Company are of the opinion that future cash flow generated from operation together with the financial plans and measures will be sufficient to repay all these liabilities. The directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Although the Directors of the Company have formulated a number of plans and taken a number of measures, there are still significant uncertainties as to whether the Group will be able to implement its plans and measures. The Group's ability to continue as a going concern is dependent on the following matters:

- (i) Successful completion of the restructuring by subsidiaries;
- (ii) Successful negotiation with an offshore lender on debt extension;
- (iii) The Group's ability to seek cooperation with banks and financial institutions for which cross default clauses were breached;
- (iv) The Group's ability to scale down its operation while maintaining positive ongoing business relationship with the Group's suppliers;
- (v) The Group's ability to successfully obtain new source of funding; and
- (vi) The Group's ability to successfully resolve the pending litigations of the Group and releasing freeze of bank accounts and seizure of property, plant and equipment, right-of-use assets and inventories.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("IAS") and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (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 and nickel products;
- (ii) Power transmission and distribution cables segment: manufacturing and sales of power transmission and distribution cables; and
- (iii) Communication cables segment: manufacturing and sales of communication cables.

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment results do not include certain interest income, non-lease-related finance costs, corporate and other unallocated expenses as well as share of loss of associate.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that certain interest income, corporate and other unallocated expenses, certain finance costs as well as share of losses of associates are excluded from such measurement.

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

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

(a) Segment results

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	2022			
	Recycled copper products RMB'000	Power transmission and distribution cables RMB'000	Communication cables RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	2,385,928	5,081	700	2,391,709
Intersegment sales	4,278	–	–	4,278
	<u>2,390,206</u>	<u>5,081</u>	<u>700</u>	<u>2,395,987</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(4,278)
Revenue				<u>2,391,709</u>
Segment results	(4,459,753)	(65,457)	(25,494)	(4,550,704)
<i>Reconciliation:</i>				
Interest income	27,448	–	1	27,449
Corporate and other unallocated expenses				(30,630)
Finance costs	(201,773)	(4,026)	(750)	(206,549)
Share of losses of associates				(791)
Loss before tax				<u>(4,761,225)</u>
Other segment information				
Depreciation and amortisation	(38,812)	(9,344)	(2,955)	(51,111)
VAT refunds, government grants and subsidies	105,791	–	44	105,835
Impairment on advance payments to suppliers	(1,948,484)	–	–	(1,948,484)
Provision for doubtful debts, net	(2,170,908)	(26,861)	(24,904)	(2,222,673)
Provision for inventories	(69,829)	–	–	(69,829)

	2021			
	Recycled copper products <i>RMB'000</i>	Power transmission and distribution cables <i>RMB'000</i>	Communication cables <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
Sales to external customers	7,658,742	28,505	32,201	7,719,448
Intersegment sales	314,913	9,867	12,265	337,045
	<u>7,973,655</u>	<u>38,372</u>	<u>44,466</u>	<u>8,056,493</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(337,045)</u>
Revenue				<u><u>7,719,448</u></u>
Segment results	152,996	(16,760)	(597)	135,639
<i>Reconciliation:</i>				
Interest income	12,626	7	1	12,634
Changes in fair value of contingent consideration liabilities				(1,452)
Changes in fair value of derivative financial instrument				(232)
Corporate and other unallocated expenses				(37,343)
Finance costs	(156,883)	(3,783)	(2,292)	(162,958)
Share of losses of associates				<u>(427)</u>
Loss before tax				<u><u>(54,139)</u></u>
Other segment information				
Depreciation and amortisation	(38,020)	(9,747)	(2,927)	(50,694)
VAT refunds, government grants and subsidies	231,523	32	564	232,119
Provision for doubtful debts, net	<u>(105,185)</u>	<u>4,565</u>	<u>(2,938)</u>	<u>(103,558)</u>

(b) Geographic information

The Group carries out its business operations in the PRC, thus no separate geographical segment analysis based on the location of assets and the revenue and profit or loss are presented.

(c) **Information about major customers**

Revenue from each of the major customers, which contributed 10% or more to the Group's revenue, is set out below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Recycled copper products segment		
Customer A [#]	–	1,346,750
Customer B*	707,097	–
Customer C*	372,918	–
Customer D*	245,284	–
	<u>1,325,299</u>	<u>1,346,750</u>

[#] Customer A had less than 10% of the Group's revenue for the year ended 31 December 2022.

* Customer B, C and D had less than 10% of the Group's revenue for the year ended 31 December 2021.

5. REVENUE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers	<u>2,391,709</u>	<u>7,719,448</u>

Revenue from contracts with customers are mainly derived from manufacturing and sales of copper and related products in the PRC, of which the revenue was recognised at a point in time when goods were transferred.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from trading of electrolytic copper (<i>Note</i>)	–	554,775
Sales of recycled copper products	2,383,263	7,089,775
Sales of power transmission and distribution cables	5,081	28,505
Sales of communication cables	700	32,201
Sales of scrap materials	1,675	8,758
Others	990	5,434
	<u>2,391,709</u>	<u>7,719,448</u>

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

Disaggregation of revenue from contracts with customers:

	2022			
	Recycled copper products <i>RMB'000</i>	Power transmission and distribution cables <i>RMB'000</i>	Communication cables <i>RMB'000</i>	Total <i>RMB'000</i>
Sales of recycled copper products	2,383,263	–	–	2,383,263
Sales of power transmission and distribution cables	–	5,081	–	5,081
Sales of communication cables	–	–	700	700
Sales of scrap materials	1,675	–	–	1,675
Others	990	–	–	990
	<u>2,385,928</u>	<u>5,081</u>	<u>700</u>	<u>2,391,709</u>
Timing of revenue recognition				
Goods transferred at a point in time	<u>2,385,928</u>	<u>5,081</u>	<u>700</u>	<u>2,391,709</u>
	2021			
	Recycled copper products <i>RMB'000</i>	Power transmission and distribution cables <i>RMB'000</i>	Communication cables <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from trading of electrolytic copper	554,775	–	–	554,775
Sales of recycled copper products	7,089,775	–	–	7,089,775
Sales of power transmission and distribution cables	–	28,505	–	28,505
Sales of communication cables	–	–	32,201	32,201
Sales of scrap materials	8,758	–	–	8,758
Others	5,434	–	–	5,434
	<u>7,658,742</u>	<u>28,505</u>	<u>32,201</u>	<u>7,719,448</u>
Timing of revenue recognition				
Goods transferred at a point in time	<u>7,658,742</u>	<u>28,505</u>	<u>32,201</u>	<u>7,719,448</u>

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 0 to 3 months from delivery, except for new customers, where payment in advance is normally required.

6. OTHER INCOME/(EXPENSES), GAIN/(LOSS), NET

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
VAT refunds			
— Comprehensive utilisation of resources	<i>(i)</i>	27,605	113,576
— Others		181	568
Gain on settlement of note payables	<i>(ii)</i>	—	34,985
Other taxes refund		1,574	—
Government grants	<i>(iii)</i>	63,884	114,375
Government subsidies	<i>(iv)</i>	12,591	3,600
Interest income		27,449	12,634
Foreign exchange differences, net		10,660	(230)
Waiver of other payables		822	—
Written-off of property, plant and equipment		(1,001)	(2,118)
Written-off of other receivables		(1,550)	—
Gain on early termination of leases		110	—
Loss on disposal of property, plant and equipment		(6,499)	—
Impairment of property, plant and equipment		(2,212)	(3,755)
Changes in fair value of contingent consideration liabilities		—	(1,452)
Changes in fair value of derivative financial instrument		—	(232)
Others		2,523	(2,085)
		136,137	269,866

Notes:

- (i) The Group is entitled to government grants for refunds of 30% for the year ended 31 December 2022 (2021: 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 refunds for such subsidiaries are reduced from 50% to 30%.

- (ii) On 19 October 2021, the Group issued 172,043,011 shares with fair value of approximately RMB31,293,000 to a note holder to settle note payables of approximately RMB66,143,000 resulted in a gain of approximately RMB34,985,000 and exchange differences had been recognised and included in other comprehensive income of approximately RMB135,000 for the year ended 31 December 2021. No such other gain or loss had been recognised for the year ended 31 December 2022.
- (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 purposes with no future related costs. No specific conditions are required to meet in connection with these grants.

- (iv) In 2022, the Group was granted unconditional government subsidies of RMB12,591,000 (2021: RMB3,600,000) from Youxian District Finance Bureau, Mianyang City, Sichuan Province. The government 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. Baohe Fushan received the government subsidies and distributed to the Group. Baohe Fushan has the discretionary right to allocate and distribute the government subsidies, with reference to the amounts of tax payments made by the entities located in the industrial park.

7. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest expenses in relation to:		
— Bank and other borrowings	109,451	100,851
— Default fee	86,684	34,720
— Lease liabilities	1,042	1,581
— Convertible bonds	17,072	49,234
— Note payables	2,833	9,129
— Bills payables	10,343	25,345
Guarantee fees and other charges	6,785	623
	<u>234,210</u>	<u>221,483</u>

8. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	2022 RMB'000	2021 RMB'000
Cost of sales (<i>Note</i>)	2,679,759	7,567,848
Depreciation of property, plant and equipment	44,982	46,244
Depreciation of right-of-use assets	6,129	6,809
Research and development costs	2,804	2,048
Auditor’s remuneration	1,800	2,000
Provision for doubtful debts, net	2,222,673	103,558
Loss on disposal of property, plant and equipment [#]	6,499	–
Waiver of other payables	(822)	–
Written-off of property, plant and equipment [#]	1,001	2,118
Written-off of other receivables [#]	1,550	–
Impairment of advance payments to suppliers	1,948,484	–
Impairment of property, plant and equipment [#]	2,212	3,755
Changes in fair value of contingent consideration liabilities [#]	–	1,452
Changes in fair value of derivative financial instrument [#]	–	232
Foreign exchange differences, net [#]	(10,660)	230
Staff costs (including directors’ remuneration):		
— Salaries, bonuses and allowances	34,473	38,073
— Retirement benefit scheme contributions	4,620	6,596
— Equity-settled share-based payments	4,939	273
	<u>44,032</u>	<u>44,942</u>

Note: Cost of sales includes RMB12,481,000 (2021: RMB33,105,000) relating to staff costs, depreciation and amortisation and provision for inventories of approximately RMB69,829,000 (2021: RMB nil), the amounts of which are also included in the respective total amounts.

[#] These balances for the year are included in “Other income/(expenses), gain/(loss), net” in the consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax — PRC Enterprise Income Tax		
Charge for the year	1,068	35,606
Under-provision in prior years	643	—
	<u>1,711</u>	<u>35,606</u>
Deferred tax	216	5,732
	<u>1,927</u>	<u>41,338</u>

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries/regions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss before tax	<u>(4,761,225)</u>	<u>(54,139)</u>
Tax at the statutory tax rate	(1,184,072)	(10,109)
Lower tax rates for specific provinces or enacted by local authority	28,887	2,323
Withholding tax for interest charges between the PRC subsidiaries and entities outside Mainland China	1,060	1,024
Under-provision in prior years	643	—
Profits and losses attributable to associates	131	107
Expenses not deductible for tax	4,352	7,141
Tax losses utilised from previous periods	(1,047)	(4,178)
Reversal of deferred tax assets recognised in prior years	—	6,493
Tax losses and temporary differences not recognised	1,151,973	38,494
Others	—	43
Income tax expense	<u>1,927</u>	<u>41,338</u>

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 for Hong Kong profits tax was provided as the Group did not have assessable profits arising in Hong Kong during the year ended 31 December 2022 (2021: nil).

The subsidiaries of the Group in the PRC are subject to income tax at the rate of 25% (2021: 25%). In 2022, 3 subsidiaries (2021: 4) were given the New/High Tech Enterprise Award and entitled to a tax concession of a lower income tax rate of 15% (2021: 15%), and 8 subsidiaries (2021: 3) were in the western region that engages in the industries encouraged by the government and entitled to a tax concession of a lower income tax rate of 15% (2021: 15%).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss:		
Loss attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(4,763,152)</u>	<u>(95,477)</u>
	2022	2021
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>4,329,833,950</u>	<u>3,190,075,412</u>
Basic loss per share (RMB)	<u>(1.10)</u>	<u>(0.03)</u>
Diluted loss per share		

As the Group's outstanding convertible bonds for both years would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding share options, the diluted loss per share for the years ended 31 December 2022 and 2021 were the same as basic loss per share.

11. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2022 and 2021.

12. LEASES AND RIGHT-OF-USE ASSETS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 31 December:		
Right-of-use assets		
— Properties	827	4,323
— Land-use-rights	102,978	106,463
— Plant and machinery	<u>690</u>	<u>2,416</u>
	<u>104,495</u>	<u>113,202</u>

At 31 December 2022, right-of-use assets with an aggregate carrying amount of RMB86,913,000 (2021: RMB88,526,000) were pledged to secure general banking facilities granted to the Group (see note 28).

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
— Less than 1 year	2,188	4,996
— Between 1 and 2 years	379	3,537
	<u>2,567</u>	<u>8,533</u>
Depreciation of right-of-use assets		
— Properties	1,677	2,358
— Land-use-rights	3,485	3,484
— Plant and machinery	967	967
	<u>6,129</u>	<u>6,809</u>
Lease interests	<u>1,042</u>	<u>1,581</u>
Total cash outflow for leases	<u>4,398</u>	<u>5,031</u>
Additions to right-of-use assets	<u>953</u>	—
Early termination of lease	<u>2,657</u>	—

At 31 December 2022, as a result of various litigations, the right-of-use assets of RMB43,317,000 were seized pursuant to various court orders (note 16).

The Group leases various land-use-rights, land and buildings and motor vehicles. Lease agreements are typically made for fixed periods of 2 to 20 years (2021: 2–20 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

13. TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	439,545	2,546,254
Provision for impairment	(275,019)	(234,789)
	<u>164,526</u>	<u>2,311,465</u>
Bills receivables	78,509	—
Provision for impairment	(6,541)	—
	<u>71,968</u>	—
	<u>236,494</u>	<u>2,311,465</u>

Notes:

- (i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 0 to 3 months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.
- (ii) As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "Factoring Arrangement") and transferred certain trade receivables to a financial institution. Under the Factoring Arrangement, the Group is required to reimburse the bank for any loss, including the loss arising in default of the trade debtors. Subsequent to the transfer, the Group has retained the substantial risks and rewards of the trade receivables and accordingly, it continued to recognise the full carrying amounts of the trade receivables. Factoring loan is recognised for any consideration received for the Factoring Arrangement. The carrying amount of the assets that the Group continued to recognise as at 31 December 2022 was RMB2,720,000 (2021: RMB641,947,000) and that of the associated liabilities as at 31 December 2022 was RMB507,000,000 (2021: RMB507,000,000).

The aging analysis of trade and bills receivables, based on the invoice date, and net of allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	8,487	933,228
31 to 60 days	937	275,274
61 to 180 days	94,885	303,706
Over 180 days	132,185	799,257
	<u>236,494</u>	<u>2,311,465</u>

The movement in provision for impairment of trade and bills receivables is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Balance at beginning of year	234,789	131,231
Provision for bad debts, net	2,222,673	103,558
Written off of trade receivables	(2,175,902)	–
Balance at end of year	<u>281,560</u>	<u>234,789</u>

In light of (a) the past due situation of certain trade and bills receivables, (b) the financial difficulties of certain debtors and (c) unfavourable negotiation results with certain debtors, the management of the Group carefully considered that the chance of recovering the trade receivables to be remote. Thus, subsequent to the reporting period, trade receivables with a gross amount totalling RMB2,180,283,000 (the "Disposed Trade Receivables") was disposed to various independent third parties at considerations of RMB16,134,000. As a result, an impairment loss of RMB1,982,724,000 was recognised in respect of the Disposed Trade Receivables for the year ended 31 December 2022. Together with other impairment loss, net of RMB239,949,000 on trade and bills receivables, an aggregate impairment loss, net on trade and bills receivables of RMB2,222,673,000 had been charged to profit or loss for the year ended 31 December 2022.

Except for the Disposal Trade Receivables of approximately RMB16,134,000, the Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Past due				Total
		1 days to 2 months	2 to 6 months	6 to 12 months	Over 12 months	
At 31 December 2022						
Weighted average expected loss rate	8.3%	30.1%	37.0%	89.1%	85.9%	65.1%
Receivable amount (RMB'000)	94,886	25,710	5,518	96,253	199,888	422,255
Loss allowance (RMB'000)	7,881	7,746	2,044	85,730	171,618	275,019
At 31 December 2021						
Weighted average expected loss rate	3.9%	4.2%	17.8%	23.0%	14.5%	9.2%
Receivable amount (RMB'000)	1,196,211	336,224	68,840	284,362	660,617	2,546,254
Loss allowance (RMB'000)	47,146	14,021	12,282	65,385	95,955	234,789

14. TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	930,544	459,502
Bills payable	<u>683,092</u>	<u>884,183</u>
	<u><u>1,613,636</u></u>	<u><u>1,343,685</u></u>

The bills payable is secured by the pledged deposits of the Group amounting to RMB672,657,000 (2021: RMB841,760,000).

The aging analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	733,884	951,211
31 to 60 days	126,848	39,395
61 to 180 days	208,481	312,551
Over 180 days	<u>544,423</u>	<u>40,528</u>
	<u><u>1,613,636</u></u>	<u><u>1,343,685</u></u>

The trade payables are non-interest bearing and are normally settled on 30-days terms.

15. SHARE CAPITAL

	<i>Notes</i>	Number of shares	RMB'000
Authorised:			
Ordinary shares of HK\$0.1 each			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022		<u>100,000,000,000</u>	<u>8,071,000</u>
Issued and fully paid:			
Ordinary shares of HK\$0.1 each			
At 1 January 2021		2,631,603,838	211,741
Issuance of ordinary shares pursuant to annual procurement agreement	<i>(a)</i>	33,882,652	2,829
Issuance of ordinary shares under specific mandate	<i>(b) (c)</i>	<u>790,533,577</u>	<u>65,891</u>
At 31 December 2021 and 1 January 2022		3,456,020,067	280,461
Issuance of ordinary shares pursuant to settlement of convertible bonds	<i>(d) (e)</i>	<u>1,025,537,194</u>	<u>83,150</u>
At 31 December 2022		<u>4,481,557,261</u>	<u>363,611</u>

Notes:

- (a) On 15 June 2018, the Company, each of the relevant suppliers and each of the relevant subscribers entered into an annual procurement agreement, pursuant to which each of the suppliers agreed to supply a targeted amount of copper scrap raw materials to the Group from 16 June 2018 to 15 June 2019, the purchase price of which shall be partly satisfied with cash and partly satisfied with consideration shares.

On 1 March 2021, pursuant to the annual procurement agreements, based on the copper scrap raw materials supplied to the Group, 33,882,652 consideration shares were allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the shareholders passed at the annual general meeting held on 5 September 2020. RMB2,829,000 and RMB135,657,000 had been transferred from consideration share reserve to share capital and share premium respectively.

- (b) On 18 March 2021, 618,490,566 ordinary shares were allotted and issued at HK\$0.465 each to Mianyang Fule Investment Co., Ltd (“Mianyang Fule”) pursuant to the specific mandate granted at the extraordinary general meeting held on 26 February 2021 (the “Subscription”). The aggregate subscription price for all 618,490,566 subscription shares amounted to approximately HK\$287,598,000 (equivalent to approximately RMB261,453,000) was settled by Mianyang Fule by way of set-off against other borrowings of approximately RMB261,453,000 owed by the Group to Mianyang Fule. Accordingly, there was no proceeds from the Subscription. RMB51,667,000 and RMB209,786,000 had been transferred from other borrowings to share capital and share premium respectively. Since Mianyang Fule held certain existing issued share capital of the Company before completion of the Subscription, there is no gain on settlement of borrowings by way of issuing shares.

- (c) On 19 October 2021, 172,043,011 ordinary shares were allotted and issued at HK\$0.465 each to Peaceful Wealth International Limited (“Peaceful Wealth”). The aggregate subscription price for all 172,043,011 subscription shares amounted to HK\$80,000,000 (equivalent to RMB66,143,000) was settled by Peaceful Wealth by way of set-off against note payables of HK\$80,000,000 owed by the Group to Peaceful Wealth. Accordingly, there was no proceeds from the subscription and resulted in gain on settlement of RMB34,985,000. RMB14,224,000 and RMB17,069,000 had been transferred from note payables to share capital and share premium respectively.
- (d) On 24 February 2022, 525,537,194 ordinary shares were allotted and issued at HK\$0.465 each to Prosper Rich. The aggregate subscription price for all 525,537,194 subscription shares amounted to approximately HK\$244,375,000 was settled by Prosper Rich by way of set-off against the Prosper Rich CBs of approximately RMB198,137,000 owed by the Group to Prosper Rich. Accordingly, no proceeds have been received by the Group from the subscription. RMB42,610,000 and RMB155,527,000 had been transferred from convertible bonds to share capital and share premium respectively. Since Prosper Rich held certain existing issued share capital of the Company before completion of the subscription, there is no gain on settlement of the Prosper Rich CBs by way of issuing shares.
- (e) On 24 February 2022, 500,000,000 ordinary shares were allotted and issued at HK\$0.465 each to Huarong. The aggregate subscription price for all 500,000,000 subscription shares approximately amounted to HK\$232,500,000 was settled by Huarong by way of set-off against the Huarong CBs of approximately RMB188,509,000 owed by the Group to Huarong. Accordingly, no proceeds have been received by the Group from the subscription. RMB40,540,000 and RMB147,969,000 had been transferred from convertible bonds to share capital and share premium respectively. Since Huarong held certain existing issued share capital of the Company before completion of the subscription, there is no gain on settlement of the Huarong CBs of approximately RMB188,509,000 by way of issuing shares.

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

16. CONTINGENT LIABILITIES

As at the date of this announcement, the Group was in progress of various legal litigations relating to bank and other borrowings and trade and other payables. As a result of these litigations, various bank accounts were frozen and various property, plant and equipment, right-of-use assets and inventories were seized. The amount of aforesaid relevant bank balances, property, plant and equipment, right-of-use assets and inventories as at 31 December 2022 are stated as follows:

As at 31 December 2022

	<i>RMB’000</i>
Bank balance	261
Property, plant and equipment	78,856
Right-of-use assets	43,317
Inventories	2,384
	<u>124,818</u>

Save for the above-mentioned litigations, the Group did not have any significant contingent liabilities at 31 December 2022 and 2021.

EXTRACTS FROM INDEPENDENT AUDITOR’S REPORT

The followings are extracted from the independent auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2022:

“DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties relating to going concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group recorded a net loss of approximately RMB4,763,152,000 and RMB95,477,000 respectively for two consecutive years ended 31 December 2022 and 2021. As at 31 December 2022, the Group had net current liabilities of approximately RMB3,318,727,000 and net liabilities of approximately RMB2,702,000,000. By the end of the reporting period, the Group had cash and cash equivalents of approximately RMB2,391,000, while debts repayable within one year or on demand (including interest-bearing bank and other borrowings, convertible bonds and note payables) were approximately RMB1,593,601,000. In addition, as at 31 December 2022, the Group had defaulted the repayment of convertible bonds, entrusted loans, interest-bearing bank and other borrowings and note payables of approximately RMB231,720,000, RMB306,116,000, RMB981,661,000 and RMB23,511,000 respectively (collectively referred to as the “Overdue Debts”). These defaults may trigger cross default clauses as stated in the contracts of certain other borrowings of approximately RMB46,793,000 (the “Cross Default Debts”) as at 31 December 2022. In addition, as described in note 38 to the consolidated financial statements, as at 31 December 2022, the Group was also involved in various litigations resulting in the freezing of several bank accounts and the seizure of property, plant and equipment, right-of-use assets and inventories. The above events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis. The directors of the Company have been undertaking a number of plans and measures as described in note 2 to the consolidated financial statements to mitigate the liquidity pressure and improve its financial position. Should the going concern assumption be inappropriate, adjustments may have to be made to write down the carrying values of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Up to the date of this report, the subsidiaries as disclosed in note 2(i) to the consolidated financial statements are in progress of debt restructuring (the “Debt Restructuring”) for purpose of reducing the level of debts of the subsidiaries. As of the date of this report, we have not been provided with the debt restructuring agreements and were unable to obtain sufficient appropriate audit evidence as to confirm the timing and extent of the Debt Restructuring.

Furthermore, up to the date of this report, the Group had notified and liaised with the holder of convertible bonds, creditors, banks, financial institutions and holders of note payables for extension/alternative refinancing of the Overdue Debts and the Cross Default Debts. As of the date of this report, we have not been provided with the extension agreements or refinancing agreements in respect of the Overdue Debts and the Cross Default Debts.

Up to the date of this report, the Group had been liaising with banks and financial institutions for obtaining new financing. As of the date of this report, we have not been provided with the financing agreements in respect of the new financing.

In addition, up to the date of this report, the Group has been endeavouring to improve the Group’s operating performance and cash flows through cost control measures and working capital management to maintain sufficient liquidity. we have not been provided with sufficient audit evidence on effect on overcoming the net current liabilities and net liabilities positions of the Group from such cost control measures and working capital management.

Also, up to the date of this report, the Group has been in the process of resolving the Group’s litigation to release the freezing orders on bank accounts and seizure orders on property, plant and equipment, right-of-use assets and inventories. As of the date of this report, we have not been provided with the settlement agreements with creditors in respect of the amount due to the creditors.

In absence of sufficient appropriate audit evidence of the above, we were unable to ascertain whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.

OTHER MATTERS

Had we not disclaimed our opinion regarding the matters described in the Basis for Disclaimer of Opinion section above, we would otherwise have qualified our opinion regarding the scope limitations on our audit relating to the matters detailed below.

(a) Trade and bills receivables

As disclosed in note 21 to the consolidated financial statements, as at 31 December 2022, the Group’s trade and bills receivables amounted to approximately RMB236,494,000, of which approximately RMB204,329,000 (the “Trade and Bills Receivables”) were past due and/or have not been settled up to the date of this report. The management is still negotiating with and considering taking any action to the debtors on the settlement. Due to (1) the past due situation of the Trade and Bills Receivables, (2) financial difficulties of debtors and (3) unfavourable negotiation results with debtors, the management considered that the chance of

recovering the Trade and Bills Receivables to be remote. The Group recognised provision for doubtful debts of approximately RMB249,701,000 in respect of the Trade and Bills Receivables in profit or loss for the year ended 31 December 2022.

Due to the above uncertainties, the management is not able to provide further evidences in justifying the sufficiency, adequacy and extent of the provision for doubtful debts being recognised. Accordingly, we are not able to obtain sufficient appropriate audit evidences to ascertain the recoverability of the balance of Trade and Bills Receivables of approximately RMB204,329,000 as at 31 December 2022. More importantly, there is no other satisfactory audit procedures that we could perform to satisfy ourselves whether the balance of Trade and Bills Receivables of approximately RMB204,329,000 were fairly stated as at 31 December 2022. Consequently, we are not able to obtain sufficient appropriate audit evidences on the provision for doubtful debts of approximately RMB249,701,000 recognised in profit or loss for the year ended 31 December 2022 and the recoverability of Trade and Bills Receivables of approximately RMB204,329,000 at 31 December 2022.

(b) Advance payments to suppliers

As disclosed in note 19 to the consolidated financial statements, as at 31 December 2022, the Group's advance payments to suppliers amounted to approximately RMB291,869,000, of which approximately RMB280,814,000 (the "Advance Payments"), were long outstanding and/or have not been settled up to the date of this report. The management is still negotiating with and considering taking any action to the debtors on the settlement. Due to (1) the long outstanding position of Advance Payments, (2) financial difficulties of debtors and (3) unfavourable negotiation results with debtors, the management considered that the chance of utilising/recovering the Advance Payments to be remote. The Group recognised provision for impairment loss of approximately RMB727,756,000 in respect of the Advance Payments in profit or loss for the year ended 31 December 2022.

Due to the above uncertainties, the management is not able to provide further evidences in justifying the sufficiency, adequacy and extent of the impairment loss being recognised. Accordingly, we are not able to obtain sufficient appropriate audit evidences to ascertain the recoverability of the balance of the Advance Payments of approximately RMB280,814,000 as at 31 December 2022. More importantly, there is no other satisfactory audit procedures that we could perform to satisfy ourselves whether the balance of the Advance Payments of approximately RMB280,814,000 were fairly stated as at 31 December 2022. Consequently, we are not able to obtain sufficient appropriate audit evidences on the provision for impairment loss of approximately RMB727,756,000 recognised for the year ended 31 December 2022 and the recoverability of the Advance Payments of approximately RMB280,814,000 at 31 December 2022.

Any adjustments to the figures as described above might have a consequential effect on the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2022 and the consolidated financial position of the Group as at 31 December 2022, and the related disclosures thereof in the consolidated financial statements."

The independent auditor's report will be included in the 2022 annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The resurgence of Coronavirus Disease 2019 (“**COVID-19**”) pneumonia pandemic together with the continued decline of the property sector since last year have had a significant negative impact on the Chinese economy in the year 2022 which have not been seen in recent years. The lockdowns of cities in the People’s Republic of China (the “**PRC**”) have caused severe disruptions to industrial activities as well as supply chains. The decline in industrial production and construction activities has led to a significant reduction in the demand for basic raw materials, especially metal materials. Consequently, the demand for our copper related products fell significantly. As a result, the Group recorded a decrease in copper product sales by 68.8% in the year 2022 as compared to the year 2021. In addition, under this weak economic environment, our suppliers and our customers faced unprecedented difficulties in their ability to carry on their business. Moreover, the tight liquidity resulting from such economic environment has put many of our suppliers and customers into severe financial difficulties and even bankruptcy. Consequently, asset impairment and bad debt provision have increased substantially for the year. Amidst such difficult economic environment, the Group recorded a net loss of approximately RMB4,763.2 million. Loss per share amounted to RMB1.10 (2021: RMB0.03).

During the year under review, the Company announced that Mianyang Tongxin Copper Co., Ltd. (綿陽銅鑫銅業有限公司) (“**Tongxin**”), a wholly-owned subsidiary of the Company, and Mianyang Jin Xunhuan Metal Materials Co., Ltd. (綿陽金循環金屬材料有限公司) (“**Jin Xunhuan**”), a wholly-owned subsidiary of Tongxin and in turn an indirect wholly-owned subsidiary of the Company (collectively, the “**Relevant Subsidiaries**”), intended to restructure their existing indebtedness through the applicable provisions of the Enterprise Bankruptcy Law of the PRC. The restructuring involved the filing of a voluntary application for bankruptcy reorganisation (the “**Bankruptcy Reorganisation Application**”) with the People’s Court of Youxian District (the “**Court**”) of Mianyang City, Sichuan Province of the PRC on 6 June 2022. And the update of the Bankruptcy Reorganisation Application is reference to the Company’s announcements dated 3 August 2022, 5 August 2022, 3 January 2023, 28 March 2023, 25 May 2023, 14 August 2023, 15 September 2023 and 13 October 2023.

By filing the Bankruptcy Reorganisation Application with the Court voluntarily and, if approved, there would be a platform for the Relevant Subsidiaries to restructure their existing indebtedness with the relevant creditors, with the sanction by the Court (“**Debt Restructuring**”). The Debt Restructuring would reduce the debts of the Relevant Subsidiaries, release the intrinsic value and business potential of the quality assets currently held by the Relevant Subsidiaries, and allow the Relevant Subsidiaries to fully utilise such assets to increase the revenue generation ability. Although the Relevant Subsidiaries presently face difficulties in repaying their debts, the Board is of the view that (i) the assets held by the Relevant Subsidiaries are of strategic value; (ii) the Relevant Subsidiaries possess strong technical capabilities pedigree; and (iii) the production and recycling industries in which the Relevant Subsidiaries operate have promising prospects in the PRC in light of the 14th Five-Year Plan published by the PRC government. After the Debt Restructuring, the Board believes that the Relevant Subsidiaries will be able to continue to operate as a going concern and improve the overall financial position of the Relevant Subsidiaries and the Group. Further, through the Debt Restructuring, the Company hopes to preserve the welfare of the staff of the Relevant Subsidiaries, as a matter of social responsibilities, and contribute to the local community.

On 25 May 2023, the Company announced that, in addition to the bankruptcy reorganisations of the Relevant Subsidiaries, Mianyang Baohe Taiyue Communications Cable Co. Ltd. (綿陽保和泰越通信線纜有限公司) (“**Taiyue**”), an indirect wholly-owned subsidiary of the Company, also intended to restructure its existing indebtedness through the applicable provisions of the Enterprise Bankruptcy Law of the PRC. A voluntary application for the aforementioned bankruptcy reorganization of Taiyue (the “**Taiyue Bankruptcy Reorganisation Application**”, and together with the Bankruptcy Reorganisation Application, the “**Bankruptcy Reorganisation Applications**”) has been filed with the Court on 18 May 2023.

On 14 August 2023, the Company announced that Hunan Yinlian Xiangbei Copper Co., Ltd.* (湖南銀聯湘北銅業有限公司) (“**Yinlian Xiangbei**”), an indirect wholly-owned subsidiary of the Company, received a civil ruling (the “**Civil Ruling**”) from the People’s Court of Miluo City, Hunan Province in relation to a petition for winding-up against Yinlian Xiangbei filed by Hunan Miziyuan Asset Holdings Co., Ltd.* (湖南汨之源實業集團有限公司) (“**Miziyuan**”), a creditor of Yinlian Xiangbei, on the ground that Yinlian Xiangbei was unable to repay the debts falling due. The debts involved were in the amount of approximately RMB11.9 million. Yinlian Xiangbei opposed the petition and applied to the Court for bankruptcy reorganisation instead.

According to the Civil Ruling, after taking into account the situation of Yinlian Xiangbei and the bankruptcy reorganisation of the Company’s other three subsidiaries in Mianyang City, Sichuan Province, the Court rejected Miziyuan’s petition for winding-up and accepted Yinlian Xiangbei’s bankruptcy reorganisation application (the “**Yinlian Xiangbei Bankruptcy Reorganisation Application**”).

On 15 September 2023, the Company announced that Hubei Rongsheng Copper Co., Ltd.* (湖北融晟金屬製品有限公司) (“**Hubei Rongsheng**”), an indirect wholly-owned subsidiary of the Company, received (i) a decision dated 12 September 2023; and (ii) notice to Hubei Rongsheng dated 12 September 2023 from the People’s Court of Yunmeng County, Hubei Province in relation to Hubei Rongsheng’s application for pre-restructuring (the “**Pre-restructuring**”) in accordance with the pre-restructuring procedure under the applicable provisions of the Enterprise Bankruptcy Law of the People’s Republic of China to prepare for its intended bankruptcy reorganisation application.

After considering the opinions of Hubei Rongsheng, its main creditors and interested investors and the relevant government authorities, the Court approved the Pre-restructuring of Hubei Rongsheng and designated Hubei Gongshun Accounting Firm* (湖北公順會計師事務所) as provisional administrator of the Pre-restructuring per the discussion of Hubei Rongsheng and its main creditors.

Please refer to the Company’s announcement dated 25 May 2023, 14 August 2023 and 15 September 2023 for further details.

PROSPECTS

Our immediate priority is to complete successfully the bankruptcy reorganisations of our subsidiaries as soon as possible. In working through the bankruptcy reorganisations, short term operational and financial results are expected to be adversely affected. Nevertheless, we are confident in our long term business prospects as we see the demand for our products, particularly copper, should remain strong going forward.

With the cancellation of pandemic prevention restrictions across the globe, the economies are anticipated to create solid increase in demand for basic metals. We expect the Chinese economy to keep improving. PRC's GDP in the first three quarters of 2023 reached a total of RMB91.3 trillion, growing 5.2 percent year-on-year.

During the 14th Five-Year Plan (“**14th FYP**”) we expect China to continue to pursue its main goal of becoming a manufacturing powerhouse, leveraging innovation and connectivity within the manufacturing industry to promote high-quality economic development. With 5G, the industrial internet of things, big data analytics and other new infrastructure, the manufacturing industry is set to begin a new era of transformation. With the strategic advancement of “carbon dioxide reaching the peak” and “carbon dioxide neutralization”, strong demand for copper from China is expected to continue going forward, particularly in areas such as new infrastructure construction, new energy automobile and facilities, high tech home appliances and electronic devices. We believe as we progress through the bankruptcy reorganisations, we are well placed to benefit from this increase in demand for copper.

FINANCIAL REVIEW

Revenue

Our revenue represents the amounts accepted to be entitled for sales of goods and services in the ordinary course of business. Revenue recognised is net of VAT and other taxes, returns and discounts after eliminating sales within our Group.

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from trading of electrolytic copper	–	554,775
Sales of recycled copper products	2,383,263	7,089,775
Sales of power transmission and distribution cables	5,081	28,505
Sales of communication cables	700	32,201
Sales of scrap materials	1,675	8,758
Others	990	5,434
	<u>2,391,709</u>	<u>7,719,448</u>

Revenue for the year ended 31 December 2022 amounted to approximately RMB2,391.7 million, representing a decrease of 69.02% from approximately RMB7,719.5 million for the year ended 31 December 2021. The decrease in sales volume was principally from the decrease in trading of electrolytic copper and sales of recycled copper products. It was mainly due to the decline in industrial production and construction activities has led to a significant reduction in the demand for copper during the year 2022.

Since the Group intended to focus on the sales of recycled copper products, no revenue was generated from trading of electrolytic copper.

Revenue from recycled copper products amounted to approximately RMB2,383.3 million for the year ended 31 December 2022, representing a decrease of 66.4% from approximately RMB7,089.8 million for the year ended 31 December 2021. It was mainly a decrease of 66.4% in the sales volume of recycled copper products from 131,864 metric tons for the year ended 31 December 2021 to 44,241 metric tons for the year ended 31 December 2022, with an increase of 0.2% in average selling price from RMB53,766 per ton for the year ended 31 December 2021 to RMB53,870 per ton for the year ended 31 December 2022.

Cost of sales

Cost of sales for the year ended 31 December 2022 totaled approximately RMB2,679.8 million, representing a decrease of 64.6% from approximately RMB7,567.8 million for the year ended 31 December 2021.

Gross profit

Our gross loss was approximately RMB288.1 for the year ended 31 December 2022, as compared to the gross profit of approximately RMB151.6 million for the year ended 31 December 2021. Our gross profit margin for the year ended 31 December 2022 was negative of 12.0%, as compared to a gross profit margin of 2.0% for the year ended 31 December 2021 due to the increase in production overhead cost.

Other income/(expenses), gain/(loss), net

Our other income and gain for the year ended 31 December 2022 were RMB136.1 million as compared to other income and gain of RMB269.9 million for the year ended 31 December 2021. The decrease was primarily attributed to the dropping of (i) VAT refunds in respect of comprehensive utilisation of resources; (ii) and grants and subsidies obtained from government.

Selling and distribution expenses

Our selling and distribution expenses for the year ended 31 December 2022 were RMB7.9 million, representing a decrease of 56.6% from RMB18.2 million for the year ended 31 December 2021. The decrease was in line with the sales were dropped during the year ended 31 December 2022.

Administrative expenses

Our administrative expenses for the year ended 31 December 2022 were RMB195.2 million, representing an increase of 47.9% from RMB132.0 million for the year ended 31 December 2021. The increase was primarily due to the additional surcharge of overdue tax payment amounted to RMB66.2 million arising from the unsettled value-added tax and corporate income tax payable to PRC tax authority.

Finance costs

Our finance costs for the year ended 31 December 2022 were RMB234.2 million, representing an increase of 5.6% from RMB221.5 million for the year ended 31 December 2021. The increase was primarily due to the additional interest on the overdue borrowing amounted to RMB86.7 million.

Loss for the year

Our loss for the year ended 31 December 2022 was RMB4,763.2 million as compared to the loss of RMB95.5 million for the year ended 31 December 2021. The increase in loss is mainly attributable to the decrease in gross profit of RMB151.6 million for the year ended 31 December 2021 to gross loss of RMB288.1 million for the year ended 31 December 2022, whilst the additional tax surcharge increased by RMB66.2 million, the provision for bad debts, net increased by RMB2,119.1 million and the impairment of advance payments to suppliers increased by RMB1,948.5 million.

Capital structure

As at 31 December 2022, the capital structure of the Group mainly consisted of shareholder's equity, note payables, interest-bearing bank and other borrowings, lease liabilities and liability component of 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 the reporting period:

	31 December 2022		31 December 2021	
	WACC	Amount	WACC	Amount
Fixed rate borrowings:				
Note payables	12.50	23,511	12.50	21,519
Interest-bearing bank and other borrowings	7.72	1,338,370	7.09	1,185,554
Lease liabilities	21.20	2,230	18.20	7,158
Convertible bonds	12.00	231,720	12.00	585,733
Total fixed rate borrowings		<u>1,595,831</u>		<u>1,799,964</u>

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

As at 31 December 2022					
	Note payables <i>RMB'000</i>	Interest- bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Convertible bonds <i>RMB'000</i>	Total <i>RMB'000</i>
Within one year or repayable on demand	23,511	1,338,370	1,858	231,720	1,595,459
After one year but less than two years	–	–	372	–	372
	<u>23,511</u>	<u>1,338,370</u>	<u>2,230</u>	<u>231,720</u>	<u>1,595,831</u>
As at 31 December 2021					
	Note payables <i>RMB'000</i>	Interest- bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Liability component of convertible bonds <i>RMB'000</i>	Total <i>RMB'000</i>
Within one year or repayable on demand	21,519	1,185,554	3,946	585,733	1,796,752
After one year but less than two years	–	–	1,321	–	1,321
After two years but less than five years	–	–	1,891	–	1,891
	<u>21,519</u>	<u>1,185,554</u>	<u>7,158</u>	<u>585,733</u>	<u>1,799,964</u>

Huarong convertible bonds

Reference is made to the convertible bonds in the aggregate principal amount of HK\$600,000,000 issued to Huarong International Holdings Limited (“**Huarong**”) and Prosper Rich Investments Limited (“**Prosper Rich**”) by the Company on 11 August 2017 (the “**August 2017 CBs**”). The August 2017 CBs issued on 11 August 2017 was matured on 11 August 2019 and a repayment of principal amount of HK\$10,000,000 was made to Huarong on 12 September 2019. The amendment and extension of term of convertible bonds issued to Huarong and Prosper Rich were completed on 7 May 2020. Following the completion, the maturity date of convertible bonds issued to Huarong and Prosper Rich was extended to 11 August 2020.

On 31 December 2021, the Company entered into the Huarong 2nd amendment deed (the “**2nd Amendment Deed**”) which, amongst others, propose to amend certain terms of the convertible bonds issued to Huarong (the “**Huarong CBs**”) and to extend the maturity date of the Huarong CBs (the “**Huarong Maturity Date**”). On the same date, Huarong issued the Huarong waiver letter pursuant to which Huarong waived the conversion right under the Huarong convertible bonds subscription agreement.

The amendments were completed on 31 March 2022 pursuant to the terms and conditions of the 2nd Amendment Deed. Following the completion of the amendments, (i) the Huarong Maturity Date was extended to 31 December 2022 (subject to potential further extension to 31 December 2023 (the “**Further Extension**”)); and (ii) the conditions precedent set out in the Huarong waiver letter have been fulfilled and the waiver of the conversion rights under the Huarong CBs has taken effect from 31 March 2022.

As disclosed in the Company’s announcement dated 3 January 2023, the Huarong CBs have matured on 31 December 2022. As at the date of this announcement, the Company and Huarong are negotiating the potential extension.

Please refer to the announcements of the Company dated 31 July 2017, 22 April 2020, 27 April 2020, 7 May 2020, 9 July 2020, 31 December 2021, 31 March 2022 and 1 January 2023 and the circular dated 4 February 2022 for further details.

ISSUANCE OF NEW SHARES UNDER SPECIFIC MANDATES

The Huarong Subscription

On 31 December 2021, the Company and Huarong entered into the Huarong Subscription Agreement, pursuant to which the Company conditionally agreed to issue and Huarong conditionally agreed to subscribe for 500,000,000 Shares at a subscription price of HK\$0.465 per subscription share (the “**Huarong Subscription**”).

Upon the completion of the Huarong Subscription, the Company and Huarong entered into a deed of set-off, pursuant to which the Huarong subscription consideration in the sum of HK\$232,500,000 payable by Huarong to the Company shall be set off against the equivalent amount of the outstanding principal amount and accrued interests under the Huarong CBs on a dollar-for-dollar basis. On 24 February 2022, the Huarong Subscription was completed.

Please refer to the announcements of the Company dated 22 April 2020, 27 April 2020, 7 May 2020, 9 July 2020, 31 December 2021, 22 and 24 February 2022 and the circular dated 4 February 2022 for further details.

The Prosper Rich Subscription

On 31 December 2021, the Company and Prosper Rich entered into a subscription agreement (the “**Prosper Rich Subscription Agreement**”) pursuant to which the Company conditionally agreed to issue and Prosper Rich conditionally agreed to subscribe for 525,537,194 Shares at a subscription price of HK\$0.465 per ordinary Share (“**Prosper Rich Subscription**”).

Upon completion of the Prosper Rich Subscription, which took place on 24 February 2022, the Company and Prosper Rich entered into a deed of set-off, pursuant to which the Prosper Rich Subscription consideration in the sum of HK\$244,374,795 payable by Prosper Rich to the Company was set off against the equivalent amount of the outstanding principal amount and accrued interests under the convertible bonds issued to Prosper Rich (the “**Prosper Rich CBs**”) on a dollar-for-dollar basis, which represent all the outstanding principal amount and accrued interests under the Prosper Rich CBs.

Each of the Company and Prosper Rich agreed to irrevocably and unconditionally fully release and discharge the other party from all claims, liabilities and demands available to it and any claims, right or liabilities which have accrued to it against or are owed to it by any of the other party under or in connection with the Prosper Rich CBs.

Please refer to the announcements of the Company dated 22 April 2020, 27 April 2020, 7 May 2020, 9 July 2020, 31 December 2021, 22 and 24 February 2022 and the circular dated 4 February 2022 for further details.

Liquidity and financial resources

As at 31 December 2022, the Group’s cash and cash equivalents (excluding pledged deposits of RMB703.9 million) amounted to approximately RMB2.4 million (2021: approximately RMB12.0 million).

The Group’s inventories decreased by RMB88.6 million to approximately RMB100.9 million (2021: approximately RMB189.5 million). During the year ended 31 December 2022, the overall inventory turnover days of 19.8 days increased compared to 12.2 days for the year ended 31 December 2021. The increase in inventory turnover days is mainly due to the decrease in market demand for copper products.

Trade and bills receivables decreased by approximately RMB2,075 million to approximately RMB236.5 million as at 31 December 2022 (as at 31 December 2021: RMB2,311.5 million). Trade and bills receivables turnover days in 2022 of 176.4 days increased compared to 105.0 days in the year 2021. The increase in trade and bills receivables turnover days is mainly due to the tight liquidity situation of customers as a result of the effect of COVID-19.

Trade and bills payables increased by RMB269.9 million to RMB1,613.6 million as at 31 December 2022 (as at 31 December 2021: RMB1,343.7 million), the payable turnover days were 91.6 days, compared to 58.2 days in 2021. Payable turnover days for the year increased as compared with last year. The increase in payable turnover days as compared to last year was mainly due to the decrease in purchase from the suppliers of electrolytic copper during the year ended 31 December 2022, which had a shorter credit period.

The Group's total interest-bearing borrowings decreased by RMB204.2 million to RMB1,595.8 million as at 31 December 2022 (as at 31 December 2021: RMB1,800.0 million). The overall decrease was mainly due to the settlement of principal amount and accrued interests under the convertible bonds by issuance of ordinary shares.

Bank loans and other borrowings included three entrusted loans totalling approximately 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) (“Kefa”), a state-owned enterprise in the PRC. Pursuant to the entrusted loan agreement signed among Tongxin, a wholly owned subsidiary of the Company, Kefa and the entrusted bank, the entrusted loans expired on 27 August 2016, 23 September 2016 and 18 November 2016 respectively. Kefa, the entrusted bank and Tongxin further agreed that the entrusted loan would not be repayable until further agreed otherwise. On 16 July 2020, the Company entered into a non-legally binding framework agreement with Kefa. Under the framework agreement, it is intended, among others, that Kefa will subscribe for Shares for a consideration of more than RMB300 million. The intended uses of the proceeds from Kefa will include, but not be limited to, the repayment of entrusted loans amounting to approximately RMB299 million as at 31 December 2020 owed by the Group to Kefa. As of the date of this report, the discussion with Kefa on the potential subscription for Shares is still ongoing.

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

	As at 31 December 2022	As at 31 December 2021
Current ratio	0.3	1.2
Quick ratio	0.3	1.2
Debt to equity ratio	-59.1%	105.3%
Net debt to equity ratio	-59.0%	104.6%

The negative debt to equity ratio and net debt to equity ratio were a result of net liabilities of RMB2,702.0 million (2021: net assets RMB1,709.4 million) mainly attributable to the losses for the year amounted to RMB4,763.2 million.

Charge on assets

The following table sets forth the net book value of assets under pledge for certain banking facilities, bills payable facilities, proceeds from factorer, lease liabilities and outstanding future contracts as at the dates included:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Property, plant and equipment	246,180	284,174
Right-of-use assets	86,913	88,526
Inventories	27,078	136,840
Trade receivables	2,720	641,947
Deposits with guarantee companies	1,075	1,075
Deposits with banks	672,657	841,760
Deposits with lessors of finance leases	–	16
Deposits with other companies	30,196	30,508
	<u>1,066,819</u>	<u>2,024,846</u>

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 will use copper futures contracts to mitigate part of its exposure against price fluctuations of copper. The market value of futures contract is based on the quoted market price as at the date of consolidated statement of financial position. The Group did not have any outstanding copper futures contracts as at 31 December 2022 (2021: Nil). No loss or gain was recognised for the year ended 31 December 2022 (2021: Nil).

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, the convertible bonds, all of which are mainly denominated in HKD. The balance of cash and cash equivalents as at 31 December 2022 including approximately HK\$0.1 million and approximately USD4,534 (in total equivalent to approximately RMB0.1 million) were held in banks in Hong Kong.

As at 31 December 2022, the Group's interest-bearing bank and other borrowings were denominated in RMB but the convertible bonds were denominated in HKD, with an aggregate principal amount of approximately HK\$227.7 million. During the year ended 31 December 2018, the Group has completed the acquisitions of certain target groups, the considerations are subject to adjustment pursuant to earn-out arrangements and will be settled partly by cash considerations in HKD and partly by allotment and issue of consideration shares which are denominated in HKD. The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 December 2022. During the year ended 31 December 2022, the Company incurred an exchange difference on translation of financial statements of entities outside of the PRC equivalent to RMB39.7 million, part of which was resulted from translating the convertible bonds and contingent consideration liabilities 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 2022.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group did not have any material acquisitions or disposals of subsidiaries or affiliated companies. during the year ended 31 December 2022.

Capital expenditures

For the year ended 31 December 2022, the Group's capital expenditures payments represent additions to property, plant and equipment (including construction in progress) and land use rights of approximately RMB0.1 million (2021: RMB1.9 million). The capital expenditures were mainly financed from internal resources.

Capital commitments

As at 31 December 2022, 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 RMB25.8 million (as at 31 December 2021: RMB44.8 million).

Contingent liabilities

Other than the contingent liabilities as mentioned in note 16 of this announcement, the Group had no material contingent liabilities as at 31 December 2022.

Events after the reporting period

On 19 May 2023, the Company received a letter issued by the Stock Exchange, which sets out the guidance in relation to the resumption of trading in the shares of the Company on the Stock Exchange. The Stock Exchange requires the Company to meet all Resumption Guidance, remedy the issues causing the Company's trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in the Company's securities is allowed to resume. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 2 October 2024. If the Company fails to remedy the substantive issues causing the Company's trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 2 October 2024, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing.

The Group is in the process of restructuring the debt of Mianyang Tongxin Copper Co., Ltd. (綿陽銅鑫銅業有限公司) and Mianyang Jin Xunhuan Metal Materials Co., Ltd. (綿陽金循環金屬材料有限公司) with the existing debt holders in accordance with the applicable provisions of the Enterprise Bankruptcy Law in the PRC. The restructuring involved the filing of a voluntary application for bankruptcy reorganization with the People's Court of Youxian District in the Mianyang City, Sichuan Province, the PRC. Subsequently, on 3 January 2023, the Company received from the Court concerning the Court's civil rulings, court decisions and notice to the Relevant Subsidiaries regarding the reorganisation. Pursuant to which, the Court accepted the application from the Relevant Subsidiaries for bankruptcy reorganization in accordance with the Enterprise Bankruptcy Law in the PRC. The first creditors' meeting was held on 28 March 2023.

In addition to the bankruptcy reorganisations of the Relevant Subsidiaries, Mianyang Baohe Taiyue Communications Cable Co. Ltd. (綿陽保和泰越通信線纜有限公司) also intended to restructure its existing indebtedness through the applicable provisions of the Enterprise Bankruptcy Law of the PRC. A voluntary application for the bankruptcy reorganization of Taiyue has been filed with the Court on 18 May 2023. On 24 May 2023, the Company received the Court's civil ruling dated 23 May 2023. According to the civil ruling dated 23 May 2023, the Court has accepted the Taiyue Bankruptcy Reorganisation Application after taking into account various considerations, including the Court's acceptance of Bankruptcy Reorganisation Application by the Relevant Subsidiaries on 29 July 2022. Please refer to the Company's announcement dated 25 May 2023 for further details.

Hunan Yinlian Xiangbei Copper Co., Ltd. (湖南銀聯湘北銅業有限公司) received a civil ruling from the People's Court of Miluo City, Hunan Province in relation to a petition for winding-up against Yinlian Xiangbei filed by Miziyuan on the ground that Yinlian Xiangbei was unable to repay the debts falling due. The debts involved were in the amount of approximately RMB11.9 million. Yinlian Xiangbei opposed the petition and applied to the Court for bankruptcy reorganization instead. According to the Civil Ruling, after taking into account the situation of Yinlian Xiangbei and the bankruptcy reorganization of the Company's other three subsidiaries in Mianyang City, Sichuan Province, the Court rejected Miziyuan's petition for winding-up and accepted Yinlian Xiangbei's Bankruptcy Reorganisation Application. Please refer to the Company's announcement dated 14 August 2023 for further details.

Hubei Rongsheng Copper Co., Ltd (湖北融晟金屬製品有限公司) received (i) a decision dated 12 September 2023; and (ii) notice to Hubei Rongsheng dated 12 September 2023 from the People's Court of Yunmeng County, Hubei Province in relation to Hubei Rongsheng's application for Pre-restructuring in accordance with the pre-restructuring procedure under the applicable provisions of the Enterprise Bankruptcy Law of the People's Republic of China to prepare for its intended bankruptcy reorganisation application. After considering the opinions of Hubei Rongsheng, its main creditors and interested investors and the relevant government authorities, the court approved the Pre-restructuring of Hubei Rongsheng and designated Hubei Gongshun Accounting Firm* (湖北公順會計師事務所) as provisional administrator of the Pre-restructuring per the discussion of Hubei Rongsheng and its main creditors. Please refer to the Company's announcement dated 15 September 2023 for further details.

Subsequent to the reporting period, pursuant to various court orders, various bank accounts with balances of RMB261,000 were frozen and various properties, plant and equipment, right-of-use assets and inventories with carrying amounts of RMB78,856,000, RMB43,317,000 and RMB2,384,000 were seized respectively.

Save as disclosed in above and disclosed in other sections in this announcement, there is no material significant event undertaken by the Group subsequent to 31 December 2022 and up to the date of this announcement.

Human resources

As at 31 December 2022, the Group had a total of 507 employees (2021: 592). The Group's staff costs for the year ended 31 December 2022 were approximately RMB44.0 million (2021: RMB44.9 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 demonstrated by employing disabled staff and providing appropriate working conditions and protection to them.

MAJOR CUSTOMERS AND 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 suppliers: 16% of cost of sales
- Five largest suppliers combined: 37% of cost of sales

Sales

- The largest customer: 29% of revenue
- Five largest customers combined: 62% 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 the PRC. 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 conducted due 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 customer's 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 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) has 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 2022 (2021: Nil).

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by ZHONGHUI ANDA CPA Limited 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 ZHONGHUI ANDA CPA Limited on the preliminary announcement.

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, namely Mr. Yu Rengzhong (Chairman of the Audit Committee), Mr. Li Wei and Mr. Fang Guanghua, 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 audited consolidated financial information of the Group for the year ended 31 December 2022, including the accounting policy adopted by the Group and has discussed the internal controls and financial reporting matters of the Group.

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 during the year ended 31 December 2022.

CORPORATE GOVERNANCE

For the year ended 31 December 2022, the Company was in compliance with the code provisions of the Corporate Governance Code (the "**CG Code**") as set forth in Appendix C1 of the Listing Rules save as disclosed below.

Code Provision C.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.

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 standards set out in the Model Code in Appendix C3 of 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 for the year ended 31 December 2022.

NON-COMPLIANCE WITH RULES 3.10 AND 3.21 OF THE LISTING RULES

According to Rule 3.10(1) of the Listing Rules, the Company is required to have at least three INEDs. According to Rule 3.10(2) of the Listing Rules, at least one of the INEDs of the Company must have appropriate professional qualifications or accounting or related financial management expertise (the “**Qualification**”). According to Rule 3.21 of the Listing Rules, the audit committee of the Company must comprise a minimum of three members, and at least one of whom is an INED who has the Qualification.

As disclosed in the announcement of the Company dated 28 June 2022, following the retirement of Ms. Ren Ruxian and Mr. Lee Ting Bun Denny as INEDs at the conclusion of the AGM on 28 June 2022 and the appoint of Mr. Li Wei at the AGM as an INED:

- (1) the Company only has two INEDs, thus the number of INEDs falls below the minimum number required under Rule 3.10(1) of the Listing Rules;
- (2) there is no INED who has the Qualification as required under Rule 3.10(2) of the Listing Rules;
- (3) INEDs do not represent at least one-third of the Board as required under Rule 3.10A;
- (4) the audit and corporate governance committee (the “**Audit Committee**”) comprises no INED with the Qualification as required under Rule 3.21 of the Listing Rules; and
- (5) the Audit Committee only has two members, thus the number of members falls below the minimum number required under Rule 3.21 of the Listing Rules.

As disclosed in the announcement of the Company dated 13 October 2022, the Company was granted a waiver to extend the grace period under Rules 3.11 and 3.23 of the Listing Rules to 19 October 2022 to comply with Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules. On 13 October 2022, following the appointments of each of Mr. Fang Guanghua and Mr. Yu Rengzhong as an INED, the Company has complied with Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules.

Please refer to the Company's announcement dated 28 June 2022 and 13 October 2022 for further details.

ANNUAL GENERAL MEETING

The resolutions to consider and approve the audited consolidated financial statements of the Company and the reports of the directors and of the independent auditor for the year ended 31 December 2022 will be transacted in an adjourned annual general meeting to be held subject to further notice.

Notice of the adjourned 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 2022 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.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 3 April 2023 and will remain suspended pending fulfilment of the Resumption Guidance and any supplement or modification thereof.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 31 January 2024

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Yu Jianqiu (Chairman), Mr. Kwong Wai Sun Wilson, Mr. Gao Qiang and Ms. Zhu Yufen; and three independent non-executive directors, namely, Mr. Li Wei, Mr. Fang Guanghua and Mr. Yu Rengzhong.