The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

February 11, 2014

The Directors
China Metal Resources Utilization Limited

BNP Paribas Securities (Asia) Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China Metal Resources Utilization Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated balance sheets as at December 31, 2010, 2011 and 2012 and September 30, 2013, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the period from August 6, 2010 (date of inception) to December 31, 2010, the years ended December 31, 2011 and December 31, 2012 and the nine months ended September 30, 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated February 11, 2014 (the "Prospectus").

The Company was incorporated in the Cayman Islands on February 22, 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization completed on March 19, 2013 (the "Corporate Reorganization") as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Corporate Reorganization.

As at the date of this report, no audited financial statements have been prepared for Engen Investments Limited ("Engen") and Alpha Universe Group Limited ("Alpha Universe") as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies comprising the Group have adopted December 31, as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 35 of Section B. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") or the relevant requirements of the Accounting Standards for Business Enterprises and Accounting Regulations for Business Enterprises (the "PRC GAAP") issued by the Ministry of Finance of the People's Republic of China (the "PRC").

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") on the same basis in respect of the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for the period from August 6, 2010 (date of inception) to December 31, 2010, the years ended December 31, 2011 and December 31, 2012 and the nine months ended September 30, 2013 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to September 30, 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at December 31, 2010, 2011 and 2012 and September 30, 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended September 30, 2012, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 Consolidated income statements

	Section B Note	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	Years ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Turnover	*2*	205,059	1,396,375	1,513,133	839,527	1,708,013
Cost of sales		(191,697)	(1,321,586)	(1,401,445)	(761,290)	(1,609,455)
Gross profit		13,362	74,789	111,688	78,237	98,558
Other revenue	*4(a)*	2,276	28,575	55,886	10,081	136,175
Other net income/(loss)	*4(b)*	26	2,412	(1,509)	381	1,081
Selling and distribution expenses		(1,311)	(4,227)	(5,927)	(4,797)	(6,558)
Administrative expenses		(1,360)	(22,553)	(20,413)	(13,996)	(45,876)
Profit from operations		12,993	78,996	139,725	69,906	183,380
Finance costs	*5(a)*	(720)	(11,920)	(16,850)	(12,025)	(20,617)
Profit before taxation	*5*	12,273	67,076	122,875	57,881	162,763
Income tax	*6(a)*	(2,899)	(18,396)	(30,583)	(13,284)	(30,312)
Profit for the period/year		9,374	48,680	92,292	44,597	132,451
Earnings per share *(Note)*	*10*					
Basic *(RMB)*		0.94	4.87	9.11	4.41	12.95
Diluted *(RMB)*		0.94	4.87	9.11	4.41	12.95

Note: The earnings per share for all periods presented have not been adjusted to reflect the proposed capitalization issue as described in Section C.

The accompanying notes form part of the Financial Information.

2 Consolidated statements of comprehensive income

	Period from August 6, 2010 (date of inception) to December 31,	Years ended December 31,		Nine months ended September 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit for the period/year	9,374	48,680	92,292	44,597	132,451
Other comprehensive income for the period/year					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of non-PRC entities	285	7,222	(72)	(1,605)	3,810
Total comprehensive income for the period/year	9,659	55,902	92,220	42,992	136,261

The accompanying notes form part of the Financial Information.

3 Consolidated balance sheets

	Section B Note	At December 31, 2010 RMB'000	2011 RMB'000	2012 RMB'000	At September 30, 2013 RMB'000
Non-current assets					
Property, plant and equipment	*11*	59,282	92,354	272,849	365,178
Lease prepayments	*12*	5,226	9,538	9,332	87,815
Prepayments for property, plant and equipment and land use rights		1,225	781	42,634	47,058
Intangible assets	*13*	–	–	10,968	8,226
Goodwill	*14*	16,081	38,847	39,308	39,308
Pledged deposits	*20*	–	–	–	1,500
Deferred tax assets	*15(b)*	1,286	575	351	166
		83,100	142,095	375,442	549,251
Current assets					
Inventories	*16*	140,929	114,912	113,724	353,544
Trade and other receivables	*17*	73,215	292,322	465,072	381,332
Amounts due from related parties	*18*	–	4,466	4,569	297
Pledged deposits	*20*	2,000	2,000	14,619	46,032
Cash and cash equivalents	*21(a)*	13,366	42,781	19,609	81,091
		229,510	456,481	617,593	862,296
Current liabilities					
Trade and other payables	*22*	91,335	112,986	253,810	410,049
Bank loans and other borrowings	*23*	60,000	110,000	175,000	287,550
Amounts due to related parties	*18*	78,573	133,474	145,662	97,537
Loans from related parties	*19*	29,675	105,435	94,315	85,672
Current taxation	*15(a)*	10,075	12,740	23,863	24,260
		269,658	474,635	692,650	905,068
Net current liabilities		(40,148)	(18,154)	(75,057)	(42,772)
Total assets less current liabilities		42,952	123,941	300,385	506,479
Non-current liabilities					
Bank loans and other borrowings	*23*	–	–	–	70,000
Deferred tax liabilities	*15(b)*	–	2,277	2,063	1,896
		–	2,277	2,063	71,896
NET ASSETS		42,952	121,664	298,322	434,583
CAPITAL AND RESERVES					
Share capital	*24*	67	67	68	827
Reserves	*25*	42,885	121,597	298,254	433,756
TOTAL EQUITY		42,952	121,664	298,322	434,583

The accompanying notes form part of the Financial Information.

4 Consolidated statements of changes in equity

	Section B Note	Share capital (Note 24) RMB'000	Exchange reserve (Note 25(a)) RMB'000	Capital reserve (Note 25(b)) RMB'000	Statutory reserves (Note 25(c)) RMB'000	Share-based payment reserve (Note 25(d)) RMB'000	Retained profits RMB'000	Total RMB'000
		Attributable to equity shareholders of the Company						
At August 6, 2010		–	–	–	–	–	–	–
Changes in equity for 2010:								
Profit for the period		–	–	–	–	–	9,374	9,374
Other comprehensive income		–	285	–	–	–	–	285
Total comprehensive income		–	285	–	–	–	9,374	9,659
Appropriations to statutory reserves		–	–	–	3,774	–	(3,774)	–
Issue of shares	*24*	67	–	–	–	–	–	67
Arising from business combination	*25(b)(i)*	–	–	33,226	–	–	–	33,226
At December 31, 2010 and January 1, 2011		67	285	33,226	3,774	–	5,600	42,952
Changes in equity for 2011:								
Profit for the year		–	–	–	–	–	48,680	48,680
Other comprehensive income for the year		–	7,222	–	–	–	–	7,222
Total comprehensive income		–	7,222	–	–	–	48,680	55,902
Appropriations to statutory reserves		–	–	–	6,494	–	(6,494)	–
Arising from business combination	*25(b)(ii)*	–	–	11,555	–	–	–	11,555
Share-based compensation	*26*	–	–	–	–	7,659	–	7,659
Share-based compensation settled by Gushan Environmental Energy Limited ("Gushan")	*25(b)(iii)*	–	–	3,596	–	–	–	3,596

	Section B Note	Share capital (Note 24) RMB'000	Exchange reserve (Note 25(a)) RMB'000	Capital reserve (Note 25(b)) RMB'000	Statutory reserves (Note 25(c)) RMB'000	Share-based payment reserve (Note 25(d)) RMB'000	Retained profits RMB'000	Total RMB'000
		Attributable to equity shareholders of the Company						
At December 31, 2011 and January 1, 2012		67	7,507	48,377	10,268	7,659	47,786	121,664
Changes in equity for 2012:								
Profit for the year		–	–	–	–	–	92,292	92,292
Other comprehensive income		–	(72)	–	–	–	–	(72)
Total comprehensive income		–	(72)	–	–	–	92,292	92,220
Appropriations to statutory reserves		–	–	–	9,890	–	(9,890)	–
Issue of shares for settlement of contingent consideration	24, 25(b)(v), 31(b)(i)	1	–	4,090	–	–	–	4,091
Capitalization of amount due to Gushan	25(b)(iv)	–	–	77,700	–	–	–	77,700
Share-based compensation settled by Gushan	25(b)(iii)	–	–	2,647	–	–	–	2,647
At December 31, 2012		68	7,435	132,814	20,158	7,659	130,188	298,322
Changes in equity for the period ended September 30, 2013								
At January 1, 2013		68	7,435	132,814	20,158	7,659	130,188	298,322
Profit for the period		–	–	–	–	–	132,451	132,451
Other comprehensive income		–	3,810	–	–	–	–	3,810
Total comprehensive income		–	3,810	–	–	–	132,451	136,261
Arising from Corporate Reorganization	24	759	–	(759)	–	–	–	–
Appropriations to statutory reserves		–	–	–	18,166	–	(18,166)	–
At September 30, 2013		827	11,245	132,055	38,324	7,659	244,473	434,583

	Section B Note	Share capital (Note 24) RMB'000	Exchange reserve (Note 25(a)) RMB'000	Capital reserve (Note 25(b)) RMB'000	Statutory reserves (Note 25(c)) RMB'000	Share-based payment reserve (Note 25(d)) RMB'000	Retained profits RMB'000	Total RMB'000
		Attributable to equity shareholders of the Company						
At January 1, 2012		67	7,507	48,377	10,268	7,659	47,786	121,664
Changes in equity for the period ended September 30, 2012 ***(Unaudited)***								
Profit for the period		–	–	–	–	–	44,597	44,597
Other comprehensive income		–	(1,605)	–	–	–	–	(1,605)
Total comprehensive income		–	(1,605)	–	–	–	44,597	42,992
Appropriations to statutory reserves		–	–	–	5,363	–	(5,363)	–
Issue of shares for settlement of contingent consideration	*24,25(b)(v), 31(b)(i)*	1	–	4,090	–	–	–	4,091
Share-based compensation settled by Gushan	*25(b)(iii)*	–	–	1,400	–	–	–	1,400
At September 30, 2012 ***(Unaudited)***		68	5,902	53,867	15,631	7,659	87,020	170,147

The accompanying notes form part of the Financial Information.

5 Consolidated cash flow statements

	Section B Note	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	2012	Nine months ended September 30, 2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Cash (used in)/generated from operations	21(b)	(32,023)	(56,161)	91,611	55,497	96,615
PRC Corporate Income Tax paid		–	(16,097)	(20,365)	(13,163)	(29,897)
Net cash (used in)/generated from operating activities		(32,023)	(72,258)	71,246	42,334	66,718
Investing activities						
Payment for the purchase of property, plant and equipment		(23,544)	(14,139)	(140,651)	(43,009)	(123,770)
Payment for lease prepayments		–	–	–	–	(9,367)
Payment for prepayments for land use rights		–	–	(13,410)	(13,410)	–
Receipt from disposal of property, plant and equipment		–	–	–	–	35
(Payment for)/proceeds from acquisitions of subsidiaries (net of cash and cash equivalents acquired)		(14,668)	(27,549)	152	–	–
Interest received		6	116	443	411	655
Increase in pledged deposits		–	–	(12,619)	(10,064)	(32,913)
Net cash used in investing activities		(38,206)	(41,572)	(166,085)	(66,072)	(165,360)
Financing activities						
Proceeds from new bank loans and other borrowings		10,000	120,000	175,000	114,000	286,000
Repayment of bank loans and other borrowings		–	(70,000)	(110,000)	(90,000)	(110,000)
Proceeds from advances from local governments		–	–	–	–	50,000
Interest paid		(720)	(6,591)	(11,166)	(7,488)	(16,529)
Advances from/(repayment to) related parties		44,573	23,184	28,991	5,890	(49,273)
Proceeds from issue of shares		67	–	1	1	–
Proceeds from/(repayment of) loans from related parties		29,675	77,163	(11,162)	(11,162)	–
Net cash generated from financing activities		83,595	143,756	71,664	11,241	160,198
Net increase/(decrease) in cash and cash equivalents		13,366	29,926	(23,175)	(12,497)	61,556
Cash and cash equivalents at the beginning of the period/year		–	13,366	42,781	42,781	19,609
Effect of foreign exchange rate changes		–	(511)	3	105	(74)
Cash and cash equivalents at the end of the period/year	21(a)	13,366	42,781	19,609	30,389	81,091

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs which collective term includes International Accounting Standards ("IAS") and related interpretations, promulgated by the IASB. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2013 are set out in note 37.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the nine months ended September 30, 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

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

Engen was established with the view of becoming the holding company of the copper business of Gushan, which commenced when Engen acquired Mianyang Jinxin Copper Co., Ltd. ("Jinxin") in November 2010. During the Relevant Periods, Engen and its subsidiaries were principally engaged in the manufacturing and sales of copper and related products.

As detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company was incorporated in the Cayman Islands on February 22, 2013. Upon completion of the Corporate Reorganization on March 19, 2013, the Company became the parent company of Engen and the holding company of the Group.

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

Each of Jinxin, Hunan Yinlian Xiangbei Copper Co., Ltd. ("Xiangbei"), Mianyang Baohe Taiyue Communications Cable Co., Ltd. ("Baohe Taiyue") and Sichuan Baohe Xinshiji Cable Co., Ltd. ("Baohe Xinshiji") was consolidated into the Group from the respective dates of the acquisition by the Group, being November 3, 2010, August 1, 2011, December 31, 2012 and December 31, 2012. Mianyang Tongxin Copper Co., Ltd. ("Tongxin") was consolidated into the Group from the date of its establishment on June 1, 2011.

Intra-group balances and transactions are eliminated in full in preparing the Financial Information.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and paid-in capital	Attributable equity interest held by the Company Direct	Indirect	Principal activities
Engen Investments Limited	The British Virgin Islands ("BVI") August 6, 2010	United States dollars ("US$") 10,225	100%	–	Investment holding
True Excel Holdings Limited	Hong Kong August 12, 2010	Hong Kong dollars ("HK$") 1	–	100%	Investment holding
Alpha Legend Holdings Limited	Hong Kong June 21, 2011	HK$1	–	100%	Investment holding
Alpha Business Investments Limited	Hong Kong October 14, 2011	HK$1	–	100%	Investment holding
Alpha Universe Group Limited	Hong Kong November 1, 2012	HK$1	–	100%	Inactive
Mianyang Jinxin Copper Co., Ltd.*^ 綿陽金鑫銅業有限公司	The PRC February 3, 2009	Renminbi ("RMB") 70,000,000	–	100%	Recycling of scrap copper for the manufacturing of recycled copper products
Hunan Yinlian Xiangbei Copper Co., Ltd.*^ 湖南銀聯湘北銅業有限公司	The PRC January 18, 2011	RMB55,000,000	–	100%	Processing of scrap copper and electrolytic copper for the manufacturing of copper related related products
Mianyang Tongxin Copper Co., Ltd.* 綿陽銅鑫銅業有限公司	The PRC June 1, 2011	RMB50,000,000	–	100%	Recycling of scrap copper for the manufacturing of recycled copper products
Sichuan Baohe Xinshiji Cable Co., Ltd.*^ 四川保和新世紀線纜有限公司	The PRC September 19, 2012	RMB30,000,000	–	100%	Sale of power transmission and distribution cables
Mianyang Baohe Taiyue Communications Cable Co., Ltd.*^ 綿陽保和泰越通信線纜有限公司	The PRC August 13, 2012	RMB30,000,000	–	100%	Manufacturing and sale of communication cables

* The English translation of the name is for reference only. The official names of these companies are in Chinese.

^ These companies were acquired through business combinations during the Relevant Periods (see note 31).

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand unless otherwise indicated.

The Financial Information is prepared on the historical cost basis except for derivative financial instruments (see note 1(g)) and contingent consideration liabilities (see note 1(w)) that are stated at their fair values.

(d) Use of estimates and judgments

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

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

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 34.

(e) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

(f) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or group of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash-generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

Buildings	–	The shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion
Plant and machinery	–	5 to 10 years
Furniture, fittings and equipment	–	3 to 10 years
Motor vehicles	–	4 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 1(l)). The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)). Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of the construction in progress until it is substantially completed and ready for its intended use.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 1(l)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Customer relationships are amortized from the date they are available for use and their estimated useful lives are three years.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term.

(l) Impairment of assets

(i) Impairment of trade and other receivables

Investments in current and non-current trade and other receivables that are stated at cost or amortized cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognized as follows:

– For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortized cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– lease prepayments;

– non-current prepayments for property, plant and equipment;

– intangible assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(m) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using an effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognized at fair value except for financial guarantee liabilities measured in accordance with 1(t)(i), trade and other payable are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent they relate to business combinations, or items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

(ii) Other provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of goods

Revenue is recognized when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Contract manufacturing income

Contract manufacturing income is recognized when the contract manufacturing services are rendered.

(iii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(iv) Government grants

An unconditional government grant is recognised in profit or loss as other income when the grant becomes receivable, other government grants are recognized in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced deprecation expenses.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations with functional currency other than Renminbi are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than Renminbi, the cumulative amount of the exchange differences relating to that operation with functional currency other than Renminbi is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(w) Contingent consideration liabilities

Contingent consideration liabilities are recognized initially at fair value. At each settlement and balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized in profit or loss.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the same third entity, or vice versa.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly-controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Turnover

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

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

	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	Years ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of recycled copper products	203,373	1,322,384	1,486,238	815,050	1,164,750
Sales of power transmission and distribution cables	–	–	–	–	338,947
Sales of communication cables	–	–	–	–	189,514
Sales of scrap materials	1,107	69,550	24,290	22,429	11,891
Contract manufacturing income	579	4,441	2,605	2,048	2,911
	205,059	1,396,375	1,513,133	839,527	1,708,013

Sales of recycled copper products to two, three, one, one and Nil customers of the Group represents more than 10% of the Group's total turnover for the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013, respectively. The turnover from these customers amounted to RMB65,753,000, RMB512,595,000, RMB272,808,000, RMB198,435,000 (unaudited) and Nil for the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013, respectively. Further details of concentrations of credit risk arising from these customers are set out in note 30(a).

3 Segment reporting

The Group manages its businesses by business operations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has only identified one reportable segment, i.e. recycled copper products segment for the period ended December 31, 2010 and for the years ended December 31, 2011 and 2012. During the nine months ended September 30, 2013, following the acquisitions of Baohe Xinshiji and Baohe Taiyue on December 31, 2012, the Group has identified three reportable segments, namely recycled copper products segment, power transmission and distribution cables segment and communication cables segment.

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

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

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

(a) Segment results

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

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

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

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

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

	Period from August 6, 2010 (date of inception) to December 31, 2010			
	Recycled copper products	**Power transmission and distribution cables**	**Communication cables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	205,059	–	–	205,059
Inter-segment revenue	–	–	–	–
Reportable segment revenue	205,059	–	–	205,059
Reportable segment profit	9,388	–	–	9,388

	Period from August 6, 2010 (date of inception) to December 31, 2010			
	Recycled copper products	**Power transmission and distribution cables**	**Communication cables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest income	6	–	–	6
Finance costs	720	–	–	720
Depreciation and amortization	377	–	–	377
VAT refunds and government grants	2,270	–	–	2,270

	Year ended December 31, 2011			
	Recycled copper products	**Power transmission and distribution cables**	**Communication cables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	1,396,375	–	–	1,396,375
Inter-segment revenue	–	–	–	–
Reportable segment revenue	1,396,375	–	–	1,396,375
Reportable segment profit	61,106	–	–	61,106
Interest income	114	–	–	114
Finance costs	6,591	–	–	6,591
Depreciation and amortization	6,548	–	–	6,548
VAT refunds and government grants	28,449	–	–	28,449

	Year ended December 31, 2012			
	Recycled copper products	**Power transmission and distribution cables**	**Communication cables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	1,513,133	–	–	1,513,133
Inter-segment revenue	–	–	–	–
Reportable segment revenue	1,513,133	–	–	1,513,133
Reportable segment profit	98,189	–	–	98,189

	Year ended December 31, 2012			
	Recycled copper products	Power transmission and distribution cables	Communication cables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest income	442	–	–	442
Finance costs	10,907	–	–	10,907
Depreciation and amortization	8,679	–	–	8,679
VAT refunds and government grants	55,443	–	–	55,443

	Nine months ended September 30, 2012 (unaudited)			
	Recycled copper products	Power transmission and distribution cables	Communication cables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	839,527	–	–	839,527
Inter-segment revenue	–	–	–	–
Reportable segment revenue	839,527	–	–	839,527
Reportable segment profit	45,734	–	–	45,734
Interest income	411	–	–	411
Finance costs	7,522	–	–	7,522
Depreciation and amortization	6,288	–	–	6,288
VAT refunds and government grants	9,670	–	–	9,670

	Nine months ended September 30, 2013			
	Recycled copper products	Power transmission and distribution cables	Communication cables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	1,179,552	338,947	189,514	1,708,013
Inter-segment revenue	438,875	1,045	3,653	443,573
Reportable segment revenue	1,618,427	339,992	193,167	2,151,586
Reportable segment profit	117,407	19,260	19,495	156,162
Interest income	646	8	–	654
Finance costs	16,144	–	261	16,405
Depreciation and amortization	14,261	2,014	1,173	17,448
VAT refunds and government grants	135,454	67	–	135,521

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

	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	2012	Nine months ended September 30, 2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue					
Reportable segment revenue	205,059	1,396,375	1,513,133	839,527	2,151,586
Elimination of inter-segment revenue	–	–	–	–	(443,573)
Consolidated turnover *(see note 2)*	205,059	1,396,375	1,513,133	839,527	1,708,013
Profit					
Reportable segment profit derived from the Group's external customers	9,388	61,106	98,189	45,734	156,162
Unallocated head office and corporate expenses	(14)	(12,426)	(5,897)	(1,137)	(23,711)
Consolidated profit after taxation	9,374	48,680	92,292	44,597	132,451

(c) ***Geographic information***

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

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

	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	2012	Nine months ended September 30, 2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
PRC	205,059	1,396,375	1,513,133	839,527	1,676,573
Other countries	–	–	–	–	31,440
	205,059	1,396,375	1,513,133	839,527	1,708,013

4 Other revenue and other net income/(loss)

	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	Years ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(a) Other revenue					
VAT refunds					
– Employment of disabled staff *(note (i))*	770	7,927	8,598	7,487	10,276
– Comprehensive Utilization of Resources *(note (ii))*	–	–	40,001	–	89,967
Government grants *(note (iii))*	1,500	20,522	6,844	2,183	18,211
Government subsidies *(note (iv))*	–	–	–	–	17,067
Interest income	6	116	443	411	654
Sundry income	–	10	–	–	–
	2,276	28,575	55,886	10,081	136,175

Notes:

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

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

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

(iv) In September 2013, the Group was granted government subsidies of RMB17,067,000 from Mianyang City Youxian District Finance Bureau in connection with meeting tax payment thresholds. RMB17,000,000 of the subsidies were offset against the advances from the local government during the nine months ended September 30, 2013.

	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	Years ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(b) Other net income/(loss)					
Net (loss)/gain on copper futures contracts	–	(1,511)	935	433	2,157
Change in fair value of contingent consideration liabilities	–	3,937	(2,211)	–	–
Net foreign exchange gain/(loss)	26	281	(9)	1	(458)
Loss on disposal of property, plant and equipment	–	–	(111)	–	(448)
Others	–	(295)	(113)	(53)	(170)
	26	2,412	(1,509)	381	1,081

5 Profit before taxation

Profit before taxation is arrived at after charging:

	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	Years ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(a) Finance costs					
Interest expense on bank loans and other borrowings wholly repayable within five years	687	5,595	9,511	7,138	15,235
Interest expense on loans from related parties	–	5,329	5,942	4,503	4,212
Guarantee fees and other charges	33	996	1,397	384	1,170
	720	11,920	16,850	12,025	20,617
(b) Staff costs					
Salaries, wages and other benefits	2,187	9,106	14,018	8,913	10,740
Contributions to defined contribution retirement schemes	111	1,525	2,694	2,211	1,570
Share-based payment expenses	–	11,255	2,647	1,400	–
	2,298	21,886	19,359	12,524	12,310

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

	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	2012	Nine months ended September 30, 2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000

(c) ***Other items***

Cost of inventories[#] *(note 16(b))*	191,697	1,321,586	1,401,445	761,290	1,609,455
Depreciation of property, plant and equipment	359	6,396	8,473	6,134	14,268
Amortization of lease prepayments	18	152	206	154	438
Amortization of intangible assets	–	–	–	–	2,742
Auditors' remuneration	8	17	26	26	67
Listing expenses	–	–	–	–	19,843
Research and development costs	18	295	613	636	2,326

[#] Cost of inventories includes RMB1,497,000, RMB9,307,000, RMB12,250,000, RMB9,128,000 (unaudited) and RMB15,057,000 for the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013, respectively, relating to staff costs, depreciation and amortization, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 Income tax in the consolidated income statements

(a) ***Taxation in the consolidated income statements represents:***

	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	2012	Nine months ended September 30, 2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax – PRC Corporate Income Tax					
Provision for the period/year	3,683	17,876	30,573	13,106	38,324
Effect of reduction in tax rate for prior year *(note (iii))*	–	–	–	–	(8,030)
	3,683	17,876	30,573	13,106	30,294
Deferred tax					
Origination and reversal of temporary differences	(784)	520	10	178	18
	2,899	18,396	30,583	13,284	30,312

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

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

(iii) The Group's PRC subsidiaries are subject to PRC Corporate Income Tax at the statutory rate of 25%. During the nine months ended September 30, 2013, Jinxin and Tongxin applied for preferential income tax treatment under the Notice on Taxation Policy Issues concerning the In-depth Implementation of the Western Development Strategy (Cai Shui [2011] No. 58). In May 2013, each of Jinxin and Tongxin obtained the approval from local tax authority and became entitled to a preferential income tax rate of 15% from January 1, 2012 to December 31, 2020. Tax credits of RMB8,030,000 related to the preferential tax treatment for 2012 are recognized in profit or loss for the nine months ended September 30, 2013.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Period from August 6, 2010 (date of inception) to December 31,	Years ended December 31,		Nine months ended September 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	12,273	67,076	122,875	57,881	162,763
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	3,070	19,871	32,158	14,730	36,398
Effect of non-deductible expenses	21	66	53	55	865
Effect of non-taxable income	(192)	(2,112)	(2,280)	(1,988)	(2,151)
Effect of reduction in tax rate	–	–	–	–	(8,030)
PRC withholding tax on interest income among entities within the Group	–	571	652	487	470
PRC withholding tax on re-investment of retained earnings to increase registered capital of a subsidiary	–	–	–	–	2,500
Others	–	–	–	–	260
Actual tax expense	2,899	18,396	30,583	13,284	30,312

7 Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Period from August 6, 2010 to December 31, 2010						
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (note 7(a))	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu Jianqiu	–	–	–	–	–	–	–
Mr. Kwong Wai Sun Wilson	–	–	–	–	–	–	–
Mr. Liu Hanjiu	–	9	15	1	25	–	25
Mr. Huang Weiping	–	–	–	–	–	–	–
Ms. Zhu Yufen	–	8	–	–	8	–	8
	–	17	15	1	33	–	33
Independent non-executive directors							
Mr. Lee Ting Bun Denny	–	–	–	–	–	–	–
Ms. Liu Rong	–	–	–	–	–	–	–
Mr. Pan Liansheng	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	17	15	1	33	–	33

	Year ended December 31, 2011						
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (note 7(a))	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu Jianqiu	–	–	–	–	–	7,659	7,659
Mr. Kwong Wai Sun Wilson	–	–	–	–	–	–	–
Mr. Liu Hanjiu	–	57	–	3	60	2,714	2,774
Mr. Huang Weiping	–	50	–	2	52	–	52
Ms. Zhu Yufen	–	48	–	–	48	204	252
	–	155	–	5	160	10,577	10,737
Independent non-executive directors							
Mr. Lee Ting Bun Denny	–	–	–	–	–	–	–
Ms. Liu Rong	–	–	–	–	–	–	–
Mr. Pan Liansheng	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	155	–	5	160	10,577	10,737

	Year ended December 31, 2012						
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (note 7(a))	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu Jianqiu	–	–	–	–	–	–	–
Mr. Kwong Wai Sun Wilson	–	–	–	–	–	–	–
Mr. Liu Hanjiu	–	56	–	4	60	1,998	2,058
Mr. Huang Weiping	–	120	–	4	124	–	124
Ms. Zhu Yufen	–	51	–	–	51	150	201
	–	227	–	8	235	2,148	2,383
Independent non-executive directors							
Mr. Lee Ting Bun Denny	–	–	–	–	–	–	–
Ms. Liu Rong	–	–	–	–	–	–	–
Mr. Pan Liansheng	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	227	–	8	235	2,148	2,383

	Nine months ended September 30, 2012 (unaudited)						
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (note 7(a))	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu Jianqiu	–	–	–	–	–	–	–
Mr. Kwong Wai Sun Wilson	–	–	–	–	–	–	–
Mr. Liu Hanjiu	–	45	–	3	48	1,056	1,104
Mr. Huang Weiping	–	72	–	2	74	–	74
Ms. Zhu Yufen	–	38	–	–	38	79	117
	–	155	–	5	160	1,135	1,295
Independent non-executive directors							
Mr. Lee Ting Bun Denny	–	–	–	–	–	–	–
Ms. Liu Rong	–	–	–	–	–	–	–
Mr. Pan Liansheng	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	155	–	5	160	1,135	1,295

	Nine months ended September 30, 2013						
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (note 7(a))	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu Jianqiu	–	128	–	1	129	–	129
Mr. Kwong Wai Sun Wilson	–	120	–	1	121	–	121
Mr. Liu Hanjiu	–	45	–	4	49	–	49
Mr. Huang Weiping	–	82	–	–	82	–	82
Ms. Zhu Yufen	–	39	–	–	39	–	39
	–	414	–	6	420	–	420
Independent non-executive directors							
Mr. Lee Ting Bun Denny	–	–	–	–	–	–	–
Ms. Liu Rong	–	–	–	–	–	–	–
Mr. Pan Liansheng	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	414	–	6	420	–	420

(a) These represent the estimated value of share options granted to the directors. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(r)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 26.

(b) Mr. Yu Jianqiu received total remunerations of RMB1,645,000, RMB3,843,000, RMB1,574,000, RMB1,182,000 (unaudited) and RMB1,033,000 from Gushan in his capacity as principal executive officer of Gushan for the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013 respectively.

(c) Mr. Kwong Wai Sun Wilson received total remunerations of RMB873,000, RMB1,747,000, RMB1,471,000, RMB1,105,000 (unaudited) and RMB966,000 from Gushan in his capacity as president of Gushan for the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013 respectively.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, 2, 4, 2, 3 (unaudited) and 3 are directors for the period ended December 31, 2010 and for the years ended December 31, 2011 and 2012 and nine months ended September 30, 2012 and 2013, respectively, whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Period from August 6, 2010 (date of inception) to December 31,	**Years ended December 31,**		**Nine months ended September 30,**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other emoluments	76	36	179	90	141
Discretionary bonuses	–	–	–	–	–
Share-based payments	–	–	–	–	–
Retirement scheme contributions	3	2	12	4	5
	79	38	191	94	146

The above individuals' emoluments are within the following band:

	Period from August 6, 2010 (date of inception) to December 31,	**Years ended December 31,**		**Nine months ended September 30,**	
	2010	**2011**	**2012**	**2012**	**2013**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals (unaudited)*	*Number of individuals*
Nil to HK$1,000,000	3	1	3	2	2

9 Dividends

No dividends have been declared or paid by entities comprising the Group during the Relevant Periods.

10 Earnings per share

(a) *Basic*

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to the equity shareholders of the Company and the weighted average number of ordinary shares. For the purpose of calculating basic and diluted earnings per share, the number of ordinary shares used in the calculation reflected the effects of the share sub-division of Engen in February 2013 and share exchange in connection with the Corporate Reorganization as disclosed in note 24 on a retrospective basis as if the events had occurred at the beginning of the Relevant Periods.

	Period form August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	2012	Nine months ended September 30, 2012 *(unaudited)*	2013
Profit attributable to equity shareholders of the Company *(RMB'000)*	9,374	48,680	92,292	44,597	132,451
Issued ordinary shares at the beginning of the period/year	10,000	10,000	10,000	10,000	10,225
Effect of issue of shares of Engen	–	–	133	103	–
Effect of share sub-division of Engen in February 2013	990,000	990,000	1,003,167	1,000,197	1,012,275
	1,000,000	1,000,000	1,013,300	1,010,300	1,022,500
Effect of share exchange in connection with the Corporate Reorganization	9,000,000	9,000,000	9,119,700	9,092,700	9,202,500
Weighted average number of ordinary shares in issue	10,000,000	10,000,000	10,133,000	10,103,000	10,225,000
Basic earnings per share *(RMB)*	0.94	4.87	9.11	4.41	12.95

(b) *Diluted*

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

The basic and diluted earnings per share for all periods presented in the Financial Information have not been taken into account the effect of the proposed capitalization issue as described in Section C.

11 Property, plant and equipment

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Furniture, fittings and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At August 6, 2010	–	–	–	–	–	–
Additions						
– through business combinations	15,716	13,149	576	2,210	567	32,218
– others	6,503	19,853	21	7	1,041	27,425
Transfers	471	1,137	–	–	(1,608)	–
Disposals	–	–	(2)	–	–	(2)
At December 31, 2010	22,690	34,139	595	2,217	–	59,641
At January 1, 2011	22,690	34,139	595	2,217	–	59,641
Additions						
– through business combinations	20,844	15,426	34	1,060	–	37,364
– others	132	348	105	467	1,052	2,104
Transfers	–	66	–	–	(66)	–
At December 31, 2011	43,666	49,979	734	3,744	986	99,109
At January 1, 2012	43,666	49,979	734	3,744	986	99,109
Additions						
– through business combinations	–	2,113	43	–	–	2,156
– others	7	7,247	124	926	178,619	186,923
Transfers	9,515	8,010	50	–	(17,575)	–
Disposals	–	(150)	–	–	–	(150)
At December 31, 2012	53,188	67,199	951	4,670	162,030	288,038
At January 1, 2013	53,188	67,199	951	4,670	162,030	288,038
Additions	4	6,395	1,926	90	98,665	107,080
Transfers	130,809	69,427	–	–	(200,236)	–
Disposals	–	(530)	–	(121)	–	(651)
At September 30, 2013	184,001	142,491	2,877	4,639	60,459	394,467

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:						
At August 6, 2010	–	–	–	–	–	–
Charge for the period	93	217	16	33	–	359
At December 31, 2010	93	217	16	33	–	359
At January 1, 2011	93	217	16	33	–	359
Charge for the year	1,776	3,802	191	627	–	6,396
At December 31, 2011	1,869	4,019	207	660	–	6,755
At January 1, 2012	1,869	4,019	207	660	–	6,755
Charge for the year	2,433	4,907	220	913	–	8,473
Written back on disposals	–	(39)	–	–	–	(39)
At December 31, 2012	4,302	8,887	427	1,573	–	15,189
At January 1, 2013	4,302	8,887	427	1,573	–	15,189
Charge for the period	5,436	7,823	236	773		14,268
Written back on disposals	–	(123)	–	(45)	–	(168)
At September 30, 2013	9,738	16,587	663	2,301	–	29,289
Net book value:						
At December 31, 2010	22,597	33,922	579	2,184	–	59,282
At December 31, 2011	41,797	45,960	527	3,084	986	92,354
At December 31, 2012	48,886	58,312	524	3,097	162,030	272,849
At September 30, 2013	174,263	125,904	2,214	2,338	60,459	365,178

(a) All of the Group's property, plant and equipment are located in the PRC. At December 31, 2010, 2011 and 2012 and September 30, 2013, property, plant and equipment with net book value of RMB27,967,000, RMB24,412,000, RMB7,803,000 and RMB148,591,000, respectively were pledged for certain banking facilities granted to the Group (see note 23(b)).

(b) The Group has yet to obtain property ownership certificates for certain buildings with an aggregate net book value of RMB22,597,000, RMB21,374,000, RMB29,483,000 and RMB69,820,000 as at December 31, 2010, 2011 and 2012 and September 30, 2013, respectively. The amount of RMB69,820,000 as at September 30, 2013 comprised Tongxin's buildings with net book value of RMB41,738,000. The construction of the buildings was completed in March 2013. The directors of the Company are of the opinion that the Group owned the beneficial title to these buildings as at December 31, 2010, 2011 and 2012 and September 30, 2013.

(c) Additions to construction in progress during the year ended December 31, 2012 comprised RMB161,320,000 for the construction of production plant of Tongxin. Additions to construction in progress during the nine months ended September 30, 2013 principally comprised RMB58,248,000 and RMB39,793,000 for the construction of production plant of Baohe Xinshiji and Tongxin respectively.

12 Lease prepayments

	At December 31, 2010	2011	2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At the beginning of the period/year	–	5,244	9,708	9,708
Additions				
– through business combinations	5,244	4,464	–	–
– others	–	–	–	78,921
At the end of the period/year	5,244	9,708	9,708	88,629
Accumulated amortization:				
At the beginning of the period/year	–	18	170	376
Charge for the period/year	18	152	206	438
At the end of the period/year	18	170	376	814
Net book value:				
At the end of the period/year	5,226	9,538	9,332	87,815

The lease prepayments represent costs of the land use rights in respect of land located in the PRC, on which the Group built its production premises and buildings. The land use rights expire in 2056 to 2063.

At December 31, 2010, 2011 and 2012 and September 30, 2013, land use rights with an aggregate carrying amount of RMB5,226,000, RMB5,120,000, RMB4,319,000 and RMB57,522,000, respectively were pledged for certain banking facilities granted to the Group (see note 23(b)).

13 Intangible assets

Customer relationships

	At December 31, 2010	2011	2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At the beginning of the period/year	–	–	–	10,968
Additions through business combinations	–	–	10,968	–
At the end of the period/year	–	–	10,968	10,968
Accumulated amortization:				
At the beginning of the period/year	–	–	–	–
Charge for the period/year	–	–	–	2,742
At the end of the period/year	–	–	–	2,742
Net book value:				
At the end of the period/year	–	–	10,968	8,226

Intangible assets represent customer relationships acquired by the Group in connection with the acquisitions of Baohe Xinshiji and Baohe Taiyue completed on December 31, 2012 (see note 31(c)(iii) and 31(d)(iii)). The amortization charge for the period is included in "administrative expenses" in the consolidated income statements.

14 Goodwill

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost and carrying amount:				
At the beginning of the period/year	–	16,081	38,847	39,308
Additions through business combinations	16,081	22,766	461	–
At the end of the period/year	16,081	38,847	39,308	39,308

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jinxin	16,081	16,081	16,081	16,081
Xiangbei	–	22,766	22,766	22,766
Baohe Xinshiji	–	–	213	213
Baohe Taiyue	–	–	248	248
	16,081	38,847	39,308	39,308

The recoverable amount of the CGUs is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a zero growth rate. The growth rates do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using pre-tax discount rates of 16.0%, 14.7%, 14.7% and 15.0% at December 31, 2010, 2011, 2012 and September 30, 2013 respectively. Key assumptions used for the value in use calculations are the gross margins, growth rates and the availability of VAT refunds. Management determined the budgeted gross margins and growth rates based on past performance and its expectation for market development. When preparing the financial budgets, management assumed that there would be no changes to the existing government policies in respect of the VAT refunds in connection with the employment of disabled staff and under the Policies for Products Generated from Comprehensive Utilization of Resources (see note 4(a)). No other government grants are assumed to be received in the value in use calculations.

The recoverable amount of the CGUs based on the value-in-use calculations is higher than its carrying amount as at December 31, 2010, 2011, 2012 and September 30, 2013. Accordingly, no impairment loss for goodwill has been recognized in the consolidated income statements.

15 Income tax in the consolidated balance sheets

(a) Current taxation in the consolidated balance sheets represents:

	At December 31,			At September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the period/year	–	10,075	12,740	23,863
Provision for PRC Corporate Income Tax for the period/year	3,683	17,876	30,573	38,324
Reduction in tax rate for prior year	–	–	–	(8,030)
Additions through business combinations	6,392	886	915	–
PRC Corporate Income Tax paid	–	(16,097)	(20,365)	(29,897)
At the end of the period/year	10,075	12,740	23,863	24,260

(b) Deferred tax (assets)/liabilities recognized

Deferred tax (assets)/liabilities recognized in the consolidated balance sheets and the movements during the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013 are as follows:

	Depreciation/ amortization allowance in excess of the related depreciation/ amortization	Revaluation of other assets	Provisions and accruals	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At August 6, 2010	–	–	–	–
Additions through business combination	(756)	382	(128)	(502)
Charged/(credited) to profit or loss	11	(382)	(413)	(784)
At December 31, 2010	(745)	–	(541)	(1,286)
At January 1, 2011	(745)	–	(541)	(1,286)
Additions through business combination	2,664	–	(196)	2,468
Charged/(credited) to profit or loss	641	–	(121)	520
At December 31, 2011	2,560	–	(858)	1,702

	Depreciation/ amortization allowance in excess of the related depreciation/ amortization	Revaluation of other assets	Provisions and accruals	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2012	2,560	–	(858)	1,702
(Credited)/charged to profit or loss	(92)	–	102	10
At December 31, 2012	2,468	–	(756)	1,712
At January 1, 2013	2,468	–	(756)	1,712
(Credited)/changed to profit or loss	53	–	(35)	18
At September 30, 2013	2,521	–	(791)	1,730

	At December 31,			At September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation to the consolidated balance sheet:				
Net deferred tax assets recognized in the balance sheet	(1,286)	(575)	(351)	(166)
Net deferred tax liabilities recognized in the balance sheet	–	2,277	2,063	1,896
	(1,286)	1,702	1,712	1,730

(c) Deferred tax liabilities not recognized

As at December 31, 2010, 2011 and 2012 and September 30, 2013, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB33,966,000, RMB92,412,000, RMB181,422,000 and RMB319,916,000, respectively. No deferred tax liabilities in respect of these undistributed profits have been recognized as the Company controls the dividend policy of these subsidiaries and the directors of the Company determined that these profits will not be distributed in the foreseeable future.

16 Inventories

(a) Inventories in the consolidated balance sheets comprise:

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	108,821	79,889	76,858	225,805
Work in progress	–	5,450	10,374	35,352
Finished goods	32,108	29,573	26,492	92,387
	140,929	114,912	113,724	353,544

At December 31, 2010, 2011 and 2012 and September 30, 2013, inventories of RMB87,401,000, RMB76,246,000, RMB89,802,000 and RMB111,503,000, respectively were pledged for certain bills payable and banking facilities granted to the Group (see notes 22(b) and 23(b)).

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

	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	Years ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Carrying amount of inventories sold	191,697	1,321,586	1,401,445	761,290	1,609,455

17 Trade and other receivables

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade debtors and bills receivable	56,859	226,602	329,315	266,922
Advance payments to suppliers	15	38,506	72,125	76,227
Government grants receivable	–	5,499	39,742	27,311
Other deposits, prepayments and receivables	16,341	21,715	23,890	10,872
	73,215	292,322	465,072	381,332

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

(a) As at December 31, 2010, 2011 and 2012 and September 30, 2013, government grants receivable of RMB Nil, RMB Nil, RMB18,041,000 and RMB9,761,000, respectively was pledged for certain banking facilities granted to the Group (see note 23(b)).

(b) Trade debtors and bills receivable included amounts due from related parties as follows:

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangzhou Taiyue Communications Cable Co., Ltd. ("Guangzhou Taiyue")	–	–	8,627	2,039
Sichuan Xinshiji Cable Co., Ltd. ("Sichuan Xinshiji")	–	–	72,775	14,594
	–	–	81,402	16,633

(c) As at December 31, 2012, advance payments to suppliers included an amount due from the related party, Guangzhou Taiyue, of RMB1,923,000. Except for the above, no advance payments are made to Guangzhou Taiyue at the balance sheet dates.

(d) ***Ageing analysis***

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

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	48,574	86,658	258,584	125,213
31 to 60 days	8,168	89,685	46,935	94,945
61 to 180 days	99	49,952	23,780	46,764
Over 180 days	18	307	16	–
	56,859	226,602	329,315	266,922

Trade debtors and bills receivable are normally due within 90 days from the date of transaction. Further details of the Group's credit policy are set out in note 30(a).

(e) ***Trade debtors and bills receivable that are not impaired***

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	34,861	50,574	66,779	104,906
Less than 30 days past due	18,698	50,863	213,782	112,100
31 to 60 days past due	3,230	77,364	41,851	19,284
61 to 180 days past due	52	47,561	6,887	30,632
Over 180 days past due	18	240	16	–
Amounts past due	21,998	176,028	262,536	162,016
	56,859	226,602	329,315	266,922

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. No impairment loss on trade debtors and bills receivable was made during the Relevant Periods.

18 Amounts due from/to related parties

(a) ***Name and relationship with related parties***

During the Relevant Periods, the directors are of the view that the related parties of the Group include the following individuals or entities:

Name of party	Relationships
Mr. Yu Jianqiu* 俞建秋	Controlling Shareholder and key management personnel
Mr. Liu Hanjiu* 劉漢玖	Key management personnel since the acquisition of Jinxin on November 3, 2010 and a beneficial minority shareholder of the Company
Mr. Huang Weiping* 黃偉萍	Key management personnel since the acquisition of Xiangbei on August 1, 2011 and a beneficial minority shareholder of the Company
Mr. Zhang Huayi* 張華義	Key management personnel since the acquisition of Xiangbei on August 1, 2011 and a beneficial minority shareholder of the Company
Mr. Chen Hai* 陳海	Key management personnel since the acquisition of Baohe Xinshiji on December 31, 2012 and a beneficial minority shareholder of the Company

Name of party	Relationships
Mr. Fan Dunxian* 范敦現	Key management personnel since the acquisition of Baohe Taiyue on December 31, 2012 and a beneficial minority shareholder of the Company
Mr. Chen Lian* 陳煉	A director of Jinxin since the date of acquisition of Jinxin on November 3, 2010 to June 30, 2011 and ceased to be a related party on June 30, 2011
Gushan Environmental Energy Limited ("Gushan")	Immediate holding company of Engen prior to the completion of reorganization on March 19, 2013 and a company controlled by Mr. Yu Jianqiu
Carling Technology Limited ("Carling")	A private company controlled by Mr. Yu Jianqiu
Gold Hero Holdings Limited ("Gold Hero")	A private company controlled by Mr. Chen Lian and a related party to the Group since the acquisition of Jinxin on November 3, 2010 and ceased to be a related party on February 20, 2013
Silver Harvest Holdings Limited ("Silver Harvest")	A private company controlled by Mr. Liu Hanjiu and a related party to the Group since the acquisition of Jinxin on November 3, 2010
Gold Wide Enterprises Limited ("Gold Wide")	A private company controlled by Mr. Huang Weiping and a related party to the Group since the acquisition of Xiangbei on August 1, 2011
Silvery Boom Limited ("Silvery Boom")	A private company controlled by Mr. Zhang Huayi and a related party to the Group since the acquisition of Xiangbei on August 1, 2011
Sichuan Gushan Vegetable Fat Chemistry Co., Ltd. ("Sichuan Gushan")* 四川古杉油脂化學有限公司	A private company controlled by Mr. Yu Jianqiu
Fujian Gushan Biodiesel Co., Ltd. ("Fujian Gushan")* 福建古杉生物柴油有限公司	A private company controlled by Mr. Yu Jianqiu
Sichuan Baohe Fushan Resources Recycling Development Co., Ltd. ("Baohe Fushan")* 四川省保和富山再生資源開發有限公司	A private company under significant influence of the daughter of Mr. Yu Jianqiu
Sichuan Xinshiji Cables Co., Ltd. ("Sichuan Xinshiji")* 四川新世紀線纜有限公司	A private company which is 19.5% owned by Mr. Chen Hai who has de facto control of the board of directors of Sichuan Xinshiji and a related party to the Group since the acquisition of Baohe Xinshiji on December 31, 2012
Guangzhou Taiyue Communications Cable Co., Ltd. ("Guangzhou Taiyue")* 廣州市泰越通信線纜有限公司	A private company which is 40% owned by Mr. Fan Dunxian and a related party to the Group since the acquisition of Baohe Taiyue on December 31, 2012

* The English translation of the name is for reference only. The official name of these related parties is in Chinese.

(b) Amounts due from/to related parties

	Note	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from Mr. Liu Hanjiu	*(i)*	–	–	–	260
Amount due from Mr. Zhang Huayi	*(i)*	–	–	–	37
Amount due from Mr. Fan Dunxian	*(ii)*	–	–	3,190	–
Amount due from Gold Wide	*(iii)*	–	2,680	–	–
Amount due from Silvery Boom	*(iii)*	–	1,786	–	–
Amount due from Guangzhou Taiyue	*(ii)*	–	–	1,379	–
Amounts due from related parties		–	4,466	4,569	297
Amount due to Mr. Yu Jianqiu	*(iv)*	–	–	27,268	75,730
Amount due to Mr. Liu Hanjiu	*(v)*	10,749	2,100	19,555	–
Amount due to Mr. Chen Lian	*(v)*	19,960	–	–	–
Amount due to Mr. Huang Weiping	*(vi)*	–	21,920	19,135	–
Amount due to Mr. Zhang Huayi	*(vi)*	–	11,980	980	–
Amount due to Gushan	*(vii)*	47,851	88,525	8,656	10,216
Amount due to Carling	*(viii)*	13	45	68	155
Amount due to Gold Hero	*(ix)*	–	493	–	–
Amount due to Silver Harvest	*(ix)*	–	411	–	106
Amount due to Baohe Fushan	*(x)*	–	8,000	22,000	11,330
Amount due to Sichuan Xinshiji	*(xi)*	–	–	24,000	–
Amount due to Guangzhou Taiyue	*(xii)*	–	–	24,000	–
Amounts due to related parties		78,573	133,474	145,662	97,537

Notes:

(i) At September 30, 2013, the amounts due from Mr. Liu Hanjiu and Mr. Zhang Huayi represented advances to them for payment of operating expenses of the Group. Both amounts were unsecured, interest free and repayable on demand.

(ii) At December 31, 2012, the amount due from Mr. Fan Dunxian and Guangzhou Taiyue amounted to RMB3,190,000 and RMB1,379,000 respectively. Such balances are attributable to Baohe Taiyue and existed at the date of acquisition of Baohe Taiyue on December 31, 2012. Both amounts were unsecured, interest-free and repayable on demand. During the nine months ended September 30, 2013, the amounts due from Mr. Fan Dunxian and Guangzhou Taiyue were fully repaid.

(iii) At December 31, 2011, the amounts due from Gold Wide and Silvery Boom represented the subscription payable for Engen's ordinary shares, part of a series of transactions by which the Group acquired Xiangbei. Such amount was unsecured, interest-free and repayable on demand. In 2012, Gold Wide and Silvery Boom fully repaid such amount to Engen (see note 31(b)).

(iv) During the year ended December 31, 2012, the Group borrowed RMB47,268,000 from Mr. Yu Jianqiu and repaid RMB20,000,000 to him. During the nine months ended September 30, 2013, the Group borrowed RMB71,462,000 and repaid RMB23,000,000 to him. As at December 31, 2012 and September 30, 2013, the amount due to Mr. Yu Jianqiu was unsecured, interest-free and repayable on demand.

(v) The movements of amounts due to Mr. Liu Hanjiu and Mr. Chen Lian during the Relevant Periods are as follows:

Mr. Liu Hanjiu	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the period/year	–	10,749	2,100	19,555
Through business combination	4,500	–	–	–
Advances to the Group	6,249	19,100	20,000	91,050
Repayments	–	(27,749)	(2,545)	(110,605)
At the end of the period/year	10,749	2,100	19,555	–

Mr. Chen Lian	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the period/year	–	19,960	–	–
Through business combination	29,500	–	–	–
Advances to the Group	–	–	–	–
Repayments	(9,540)	(19,960)	–	–
At the end of the period/year	19,960	–	–	–

The outstanding amounts at respective balance sheet dates were unsecured, interest free and repayable on demand.

(vi) The movements of amounts due to Mr. Huang Weiping and Mr. Zhang Huayi during the Relevant Periods are as follows:

Mr. Huang Weiping	**At December 31, 2010**	**2011**	**2012**	**At September 30, 2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the period/year	–	–	21,920	19,135
Through business combination	–	17,980	–	–
Advances to the Group	–	20,015	132,094	11,300
Repayments	–	(16,075)	(134,879)	(30,435)
At the end of the period/year	–	21,920	19,135	–

Mr. Zhang Huayi	**At December 31, 2010**	**2011**	**2012**	**At September 30, 2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the period/year	–	–	11,980	980
Through business combination	–	11,990	–	–
Advances to the Group	–	12	13,573	–
Repayments	–	(22)	(24,573)	(980)
At the end of the period/year	–	11,980	980	–

The outstanding amounts at respective balance sheet dates were unsecured, interest free and repayable on demand.

(vii) The movements of amounts due to Gushan during the Relevant Periods are as follows:

	At December 31, 2010	**2011**	**2012**	**At September 30, 2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the period/year	–	47,851	88,525	8,656
Advances to the Group	77,526	88,587	–	–
Contracted as loans *(see note 19)*	(29,675)	(52,317)	–	–
Interest expenses on loans from Gushan	–	4,404	5,359	3,975
Repayments to Gushan	–	–	(7,531)	(2,205)
Wavier of amount due to Gushan	–	–	(77,700)	–
Exchange differences	–	–	3	(210)
At the end of the period/year	47,851	88,525	8,656	10,216

Advances to the Group by Gushan during the period ended December 31, 2010 and year ended December 31, 2011 were mainly for the purposes of acquisitions of Jinxin and Xiangbei respectively.

The outstanding amounts at respective balance sheet dates were unsecured, interest free and repayable on demand.

(viii) During the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013, Carling paid operating expenses of RMB13,000, RMB32,000, RMB23,000 and RMB87,000, respectively, on behalf of the Group. Accordingly, at December 31, 2010, 2011 and 2012 and September 30, 2013, the Group had an amount due to Carling of RMB13,000, RMB45,000, RMB68,000 and RMB155,000, respectively, which was unsecured, interest-free and repayable on demand.

(ix) The outstanding amounts at respective balance sheet dates represented accrued interests on loans from Gold Hero and Silver Harvest (see note 19). The amounts were unsecured, interest-free and repayable on demand.

(x) The movements of amount due to Baohe Fushan during the Relevant Periods are as follows:

		At December 31,		**At September 30,**
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the period/year	–	–	8,000	22,000
Advances to the Group	–	8,000	10,000	–
Consideration for acquisitions *(see notes 18(b)(xi) and (xii))*	–	–	12,000	–
Administrative fee and consultancy fee *(see note 29(a)(ii))*	–	–	–	2,325
Repayments	–	–	(8,000)	(12,995)
At the end of the period/year	–	8,000	22,000	11,330

The outstanding amounts at respective balance sheet date were unsecured, interest free and repayable on demand or repayable within one year.

(xi) During the year ended December 31, 2012, the Group entered into a sale and purchase agreement to acquire all of the equity interest of Baohe Xinshiji at a consideration of RMB30,000,000 of which RMB24 million is payable to Sichuan Xinshiji which are unsecured, interest free and repayable within three months from the date of completion of the acquisition. The consideration payable to Sichuan Xinshiji was settled in March 2013.

(xii) During the year ended December 31, 2012, the Group entered into a sale and purchase agreement to acquire all of the equity interest of Baohe Taiyue at a consideration of RMB30,000,000 of which RMB24 million is payable to Guangzhou Taiyue which are unsecured, interest free and repayable within three months from the date of completion of the acquisition. The consideration payable to Guangzhou Taiyue was settled in March 2013.

19 Loans from related parties

	Note	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans from related parties					
Loans from Gushan	*(i)*	29,675	81,992	82,012	80,192
Loan from Gold Hero *(see note 23(d))*	*(ii)*	–	12,776	6,698	–
Loan from Silver Harvest	*(iii)*	–	10,667	5,605	5,480
		29,675	105,435	94,315	85,672

Notes:

(i) The loans from Gushan are unsecured, interest bearing at rates ranging from 5.56%, 6.06% to 6.56%, 6.06% to 6.56% and 6.06% to 6.56% per annum as at December 31, 2010, 2011 and 2012 and September 30, 2013, respectively and repayable within one year.

(ii) The loan from Gold Hero is unsecured, interest bearing at 6.06% per annum as at December 31, 2011 and 2012 and September 30, 2013 and repayable within one year. Gold Hero ceased to be a related party of the Group since February 2013 upon its disposal of all the equity interest in Engen.

(iii) The loan from Silver Harvest is unsecured, interest bearing at 6.06% per annum as at December 31, 2011 and 2012 and September 30, 2013 and repayable within one year.

20 Pledged deposits

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits with guarantee companies	2,000	2,000	2,400	3,900
Deposits with banks	–	–	12,045	42,045
Deposits with securities broker	–	–	174	1,587
	2,000	2,000	14,619	47,532
Represented by:				
Current	2,000	2,000	14,619	46,032
Non-current	–	–	–	1,500
	2,000	2,000	14,619	47,532

Pledged deposits were placed with guarantee companies for the purpose of obtaining bank loans of RMB10,000,000, RMB10,000,000, RMB15,000,000 and RMB25,000,000 as at December 31, 2010, 2011 and 2012 and September 30, 2013 respectively, which were guaranteed by the guarantee companies.

Pledged deposits with banks were placed as security for bills payable of the Group as at December 31, 2012 and September 30, 2013 (see note 22(b)).

Pledged deposits with securities broker were pledged as deposits for outstanding copper futures contracts as at December 31, 2012 and September 30, 2013.

21 Cash and cash equivalents

(a) Cash and cash equivalents in the consolidated balance sheets and consolidated cash flow statements represent:

	At December 31,			At September 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	13,366	42,781	19,609	81,091

As at December 31, 2010, 2011 and 2012 and September 30, 2013, cash and cash equivalents in the amount of RMB2,875,000, RMB30,829,000, RMB16,330,000 and RMB79,911,000, respectively are denominated in RMB and are deposited in banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

	Note	Period from August 6, 2010 (date of inception) to December 31,	Years ended December 31,		Nine months ended September 30,	
		2010	2011	2012	2012	2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation		12,273	67,076	122,875	57,881	162,763
Adjustments for:						
Finance costs	*5(a)*	720	11,920	16,850	12,025	20,617
Share-based compensation	*5(b)*	–	11,255	2,647	1,400	–
Depreciation	*5(c)*	359	6,396	8,473	6,134	14,268
Amortization of lease prepayments	*5(c)*	18	152	206	154	438
Amortization of intangible assets	*5(c)*	–	–	–	–	2,742
Interest income	*4(a)*	(6)	(116)	(443)	(411)	(654)
Loss on disposal of property, plant and equipment	*4(b)*	–	–	111	–	448
Change in fair value of contingent consideration	*4(b)*	–	(3,937)	2,211	–	–
Exchange differences		285	2,859	(31)	(113)	800
Changes in working capital:						
(Increase)/decrease in inventories		(105,353)	40,490	2,282	(165,716)	(239,820)
(Increase)/decrease in trade and other receivables		(8,287)	(192,301)	(129,244)	105,267	87,449
Increase in trade and other payables		67,968	45	65,674	38,876	47,564
Cash (used in)/generated from operations		(32,023)	(56,161)	91,611	55,497	96,615

22 Trade and other payables

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	76,575	93,680	76,137	121,089
Bills payable	–	–	41,400	51,400
Receipts in advance	1,503	1,854	7,568	9,028
Other payables and accruals	13,257	17,452	128,702	228,211
Derivative financial instruments *(note 30(f))*	–	–	3	321
	91,335	112,986	253,810	410,049

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

(a) Trade payables included amount due to a related party as follows:

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sichuan Xinshiji	–	–	16,797	66,231

(b) Bills payable are normally issued with a maturity of not more than six months.

At December 31, 2012, bills payable were secured by pledged deposits of RMB12,045,000 placed with banks (see note 20), inventories with carrying amount of RMB70,562,000 (see note 16) and personal deposits of Mr. Liu Hanjiu amounting to RMB6,000,000.

At September 30, 2013, bills payable were secured by pledged deposits of RMB42,045,000 placed with banks (see note 20).

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

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	76,575	52,970	49,659	86,999
31 to 60 days	–	13,690	25,932	22,818
61 to 180 days	–	27,003	40,552	40,695
Over 180 days	–	17	1,394	21,977
	76,575	93,680	117,537	172,489

(d) An analysis of the other payables and accruals of the Group is analyzed as follows:

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, wages, bonus and other accrued benefits	1,811	2,544	2,761	3,281
Payables for the purchase of property, plant and equipment and intangible assets	10,175	8,743	74,953	93,304
Payables for land use rights	–	–	–	42,643
VAT payable	–	1,822	33,689	23,620
Contingent consideration liabilities in respect of a business combination	–	1,880	–	–
Unearned government grants	–	1,000	10,300	9,300
Advances from local governments	–	–	–	33,000
Others	1,271	1,463	6,999	23,063
	13,257	17,452	128,702	228,211

Payables for the purchase of property, plant and equipment and intangible assets included amounts due to related parties of RMB Nil, RMB Nil, RMB14,000,000 and RMB14,000,000, respectively as at December 31, 2010, 2011 and 2012 and September 30, 2013. The balance of RMB14,000,000 at December 31, 2012 and September 30, 2013 comprised of RMB4,000,000 and RMB10,000,000 payable to Guangzhou Taiyue and Sichuan Xinshiji respectively.

As at September 30, 2013, payables for land use rights of RMB42,643,000 are repayable to Baohe Fushan within one year.

As at September 30, 2013, advances from local governments of RMB33,000,000 represented advances in the amount of RMB16.0 million received by Tongxin from Mianyang City Youxian District Financial Bureau and an advance in the amount of RMB17.0 million received by Xiangbei from Miluo Industrial Park District Financial Bureau. The advances received by Tongxin are unsecured, interest-free and will be used to offset the financial subsidies to be granted by the local government while the advances received by Xiangbei are unsecured, interest-free and repayable by December 31, 2013.

23 Bank loans and other borrowings

(a) The analysis of the carrying amount of borrowings is as follows:

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
– secured	50,000	80,000	125,000	226,000
– unsecured	10,000	30,000	50,000	30,000
	60,000	110,000	175,000	256,000
Other borrowings				
– unsecured	–	–	–	101,550
	60,000	110,000	175,000	357,550
Represented by:				
Current	60,000	110,000	175,000	287,550
Non-current	–	–	–	70,000
	60,000	110,000	175,000	357,550

(b) The amounts of banking facilities and the utilization at December 31, 2010, 2011 and 2012 and September 30, 2013 are set out as follows:

	At December 31, 2010	At December 31, 2011	At December 31, 2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Banking facilities available				
– secured	50,000	80,000	216,400	277,400
– unsecured	10,000	30,000	50,000	65,000
	60,000	110,000	266,400	342,400
Amounts utilized				
– bills payable	–	–	41,400	51,400
– Bank loans	60,000	110,000	175,000	291,000
	60,000	110,000	216,400	342,400

There are cross default provisions in certain banking facilities, the default on a loan by the Group would then default on other loans which have cross default provisions.

The banking facilities were secured by the following assets:

	At December 31,			At September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment *(note 11(a))*	27,967	24,412	7,803	148,591
Lease prepayments *(note 12)*	5,226	5,120	4,319	57,522
Prepayment for land use rights	–	–	13,410	–
Inventories *(note 16)*	87,401	76,246	89,802	111,503
Government grants receivable *(note 17)*	–	–	18,041	9,761
Pledged deposits *(note 20)*	2,000	2,000	14,445	45,945
	122,594	107,778	147,820	373,322

(c) At the balance sheet dates, bank loans were repayable as follows

	At December 31,			At September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
With 1 year or on demand	60,000	110,000	175,000	246,000
After 1 year but within 2 years	–	–	–	10,000
	60,000	110,000	175,000	256,000

As at December 31, 2010, 2011, 2012 and September 30, 2013, secured bank loans of the Group totaling RMB Nil, RMB Nil, RMB15,000,000 and RMB15,000,000 respectively were guaranteed by independent third party financial guarantors which in turn obtained personal guarantees by Mr. Liu Hanjiu along with certain assets which are included in the above table.

As at December 31, 2010, 2011, 2012 and September 30, 2013, unsecured bank loans of the Group totaling RMB Nil, RMB20,000,000, RMB Nil, RMB Nil respectively were guaranteed by Mr. Liu Hanjiu.

As at December 31, 2010, 2011, 2012 and September 30, 2013, secured bank loans of the Group totaling RMB Nil, RMB Nil, RMB20,000,000 and RMB26,000,000 respectively were guaranteed by Mr. Huang Weiping along with certain assets which are included in the above table.

At December 31, 2010, 2011, 2012 and September 30, 2013, bank loans of RMB Nil, RMB Nil, RMB20,000,000 and RMB60,000,000 respectively, were secured by the lease prepayments and property, plant and equipment of Sichuan Gushan. In respect of the bank loan of RMB20,000,000 at December 31, 2012 and September 30, 2013, Jinxin is subject to a covenant on the fulfilment of assets/liabilities ratio. At December 31, 2012 and September 30, 2013, the covenant had not been breached.

During the period ended December 31, 2010, the Group obtained bank loans totaling RMB10,000,000 secured by certain trade receivables of RMB11,624,000. As at December 31, 2010, the Group had collected the full amount of the pledged trade receivables but did not comply with the loan covenants which required the Group to obtain written consents from the bank prior to using the funds for its operations. These bank loans were fully repaid by the Group at maturity in April 2011.

During the year ended December 31, 2011, the Group obtained bank loans totaling RMB70,000,000 which required inventories of RMB135,370,000 as security. As at December 31, 2011, the Group breached the loan covenants which required the minimum inventory described above. These bank loans were fully repaid at maturity by October 2012.

During the year ended December 31, 2011, the Group obtained a bank loan of RMB10,000,000 secured by certain trade receivables of RMB13,576,000. As at December 31, 2011, the Group had collected the full amount of the pledged trade receivables but did not comply with the loan covenants which required the Group to obtain written consents from the bank prior to using the funds for its operations. These bank loans were fully repaid by the Group at maturity in April 2012.

During the year ended December 31, 2012, the Group obtained bank loans totaling RMB76,000,000 which required inventories of RMB154,520,000 as security. As at December 31, 2012, the Group did not have the required level of inventories and therefore had breached the loan covenants of the bank loans which became payable on demand as at December 31, 2012. Amongst the bank loans of RMB76,000,000, RMB20,000,000 and RMB30,000,000 were fully repaid at maturity in May 2013 and July 2013 respectively. In April 2013, the Group has received waivers from the bank in respect of the bank loans of RMB26,000,000 that were in breach of covenants. Such loans of RMB26,000,000 were outstanding as at 30 September 2013.

During the year ended December 31, 2012, the Group obtained bank loans of RMB30,000,000 secured by certain trade receivables of RMB63,854,000. As at December 31, 2012, the Group had collected the full amount of the pledged trade receivables but did not comply with the loan covenants which required the Group to obtain written consents from the bank prior to using the funds for its operations. In April 2013, RMB20,000,000 of these bank loans were repaid by the Group upon maturity. In August 2013, the Group received a waiver from the bank in respect of noncompliance of the loan covenants for the remaining RMB10,000,000 bank loan which was outstanding as at 30 September 2013.

During the nine months ended September 30, 2013, the Group obtained bank loans totaling RMB50,000,000 secured by certain trade receivables of RMB66,802,000. Prior to the maturity of the loans, the Group had collected the full amount of the pledged trade receivables but did not comply with the loan covenants which required the Group to obtain written consents from the bank prior to using the funds for its operations. In August 2013, the Group received waivers from the banks in respect of noncompliance of the loan covenants for these bank loans and the loans of RMB50,000,000 were fully repaid at maturity by September 2013.

At December 31, 2010, 2011 and 2012 and September 30, 2013, bank loans totaling RMB10,000,000, RMB10,000,000, RMB15,000,000 and RMB25,000,000, respectively were secured by independent guarantee companies to which the Group was charged a total of non-recoverable guarantee fees of RMB200,000, RMB250,000, RMB360,000 and RMB520,000 during the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013, respectively.

(d) Significant terms and repayment schedule of other borrowings

As at September 30, 2013, a loan of RMB60,000,000 was unsecured, interest bearing at 12% per annum and repayable in February 2015. As at September 30, 2013, loans of RMB35 million were unsecured, interest bearing at 10% per annum and repayable within one year. The loans of RMB35 million were repaid by December 2013.

As at September 30, 2013, a loan of RMB6,550,000 from Gold Hero was unsecured, interest bearing at 6.06% per annum and repayable within one year.

24 Share capital

The Company was incorporated on February 22, 2013 with an authorized share capital of HK$300,000 divided into 3,000,000 shares of HK$0.1 each. On the same date, one share of HK$0.1 was allocated and issued at par. Upon completion of the Corporate Reorganization on March 19, 2013, the Company became the holding company of the Group. On March 19, 2013, the authorized share capital of the Company increased to HK$10,000,000 by the creation of additional 99,700,000 shares of HK$0.1 each, rank pari passu with the existing ordinary shares of the Company in all respects. On the same date, a total of 10,224,999 shares of HK$0.1 each were allocated and issued at par.

At December 31, 2010, 2011 and 2012, the share capital represented the share capital of Engen. During the period ended December 31, 2010, 10,000 ordinary shares of Engen with US$1 each were issued at par for US$10,000 (equivalent to RMB67,000). During the year ended December 31, 2012, 225 ordinary shares of Engen of US$1 each were issued for the settlement of contingent consideration liabilities arising from the acquisition of Xiangbei (see note 31(b)(i)).

Pursuant to the written resolutions of the shareholders of Engen passed on February 1, 2013, the shareholders of Engen approved the sub-division of ordinary share of US$1.00 each in the authorized and issued share capital of Engen into 100 ordinary shares of US$0.01 each. Immediately following the stock split referred to above, Engen is authorized to issue a maximum of 5,000,000 shares of a single class each with a par value of US$0.01 and the issued share capital of Engen became US$10,225 (RMB68,000) comprising 1,022,500 shares of US$0.01 each.

On March 19, 2013, all shareholders of Engen transferred their holdings in the issued share capital of Engen to the Company in consideration for the shares allotted and issued by the Company as part of the Corporate Reorganization. Following such transfer, the Company became the holder of the entire issued share capital of Engen.

25 Reserves

(a) Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial information of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 1(v).

(b) Capital reserve

(i) In November 2010, Engen, through its wholly-owned subsidiary, True Excel Holdings Limited ("True Excel") acquired the entire ownership interest in Jinxin. The entire purchase consideration comprised of two components, the cash consideration paid by Engen and the net contingent consideration linked to Gushan's ordinary shares. The net contingent consideration was classified as equity of Engen since Gushan had the obligation to issue the net contingent consideration (see note 31(a)). Such net contingent consideration was measured at fair value of RMB33,226,000 on the acquisition date and recorded as capital reserve in the Financial Information.

(ii) In August 2011, Engen, through its wholly-owned subsidiary, True Excel acquired the entire ownership interest in Xiangbei. The entire purchase consideration comprised of three components, the cash consideration paid by Engen, the contingent consideration linked to Engen's ordinary shares and the contingent consideration linked to Gushan's ordinary shares. The contingent consideration linked to Gushan's ordinary shares was classified as equity of Engen since Gushan had the obligation to issue the net contingent consideration (see note 31(b)). Such contingent consideration was measured at fair value of RMB11,555,000 on the acquisition date and recorded as capital reserve in the Financial Information.

(iii) On January 11, 2011, Gushan granted share options for the purchase of an aggregate of 3,000,000 of its ordinary shares to nine employees of Jinxin pursuant to Gushan's share option scheme. Based on the Binomial Option Pricing Model, the estimated fair value of the options at grant date was approximately US$0.36 (RMB2.36) per share option. The amount of share-based payment expense recognized for these options was RMB3,596,000 for the year ended December 31, 2011. On October 12, 2012, Gushan cancelled such share options due to its privatization from New York Stock Exchange (see note 26). As a result of such cancellation, the Group fully recognized the previously measured but unrecognized share-based compensation cost of RMB2,647,000 at the cancellation date. Such share-based compensation expenses in 2011 and 2012 were recorded as contributions from shareholder in capital reserve since the Group had no obligation to settle the share option awards.

(iv) On December 31, 2012, Gushan waived an amount of RMB77,700,000 due from True Excel. The directors of the Company has accounted for the waiver of debts as an equity contribution to the Group and recorded as capitalization of amount due to Gushan within capital reserve.

(v) On May 29, 2012, 225 new shares of Engen were issued in connection with Xiangbei's partial achievement of the earn-out arrangement for the year ended December 31, 2011. The fair value of such Engen's ordinary shares was estimated to be approximately RMB4,090,000 and was credited to share capital (nominal value) and capital reserve. Subsequently, the Group entered into an agreement with Gold Hero and Silver Harvest and agreed that no further new ordinary shares of Engen will be issued in connection with the acquisition of Xiangbei. Further details of the settlement of the contingent consideration and the earn-out arrangement are set out in note 31(b)(i).

(c) Statutory reserves

According to the PRC rules and regulations, the Company's operating subsidiaries are required to transfer 10% of the net income after tax, as determined in accordance with PRC GAAP, to a general reserve fund and an enterprise expansion fund until the reserve balance reaches 50% of the registered capital of the respective companies. The transfer to the reserves must be made before distribution of dividends to shareholders can be made. These amounts are not available for distribution to shareholders, except upon liquidation.

(d) Share-based payment reserve

Share-based payment reserve represents the portion of the fair value of unexercised share options granted to employees of the Group at grant date that has been recognized in accordance with the accounting policy adopted for share-based payments in note 1(r)(ii).

(e) Distributable reserves

The Company was incorporated on February 22, 2013 and there was no distributable reserves as at December 31, 2010, 2011 and 2012. At September 30, 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to RMB277,491,000.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions affecting the Group.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total interest bearing borrowings less cash and cash equivalents. The Group defines "capital" as all components of equity.

The net debt-to-capital ratio was as follows:

			At December 31,		**At September 30,**
	Note	**2010**	**2011**	**2012**	**2013**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	*23*	60,000	110,000	175,000	357,550
Loans from related parties	*19*	29,675	105,435	94,315	85,672
Less: Cash and cash equivalents	*21*	13,366	42,781	19,609	81,091
Net debt		76,309	172,654	249,706	362,131
Total equity		42,952	121,664	298,322	434,583
Net debt-to-capital ratio		177.7%	141.9%	83.7%	83.3%

Except for the banking facilities which require the fulfilment of certain covenants as disclosed in note 23, neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

26 Share-based compensation

On October 31, 2011, the board of directors of Engen granted Mr. Yu Jianqiu, the Controlling Shareholder, options to purchase up to 1,013 ordinary shares of Engen at an exercise price of RMB63,179 per ordinary share ("Engen Share Options"). The Engen Share Options are exercisable immediately and will expire on the tenth anniversary of the date of grant. Any ordinary shares of Engen issued upon the exercise of the Engen Share Options will be subject to a right of first refusal in favor of Engen before such ordinary shares can be validly transferred. The Group determined that the estimated fair value of the Engen Share Options at grant date was RMB7,561 per share. The amount of share-based payment expense recognized was RMB7,659,000 for the year ended December 31, 2011. The expected volatility of 50.5% used in estimating the grant date fair value was based on the average volatility of several listed companies in the metal recycling sector. Since Engen did not have a trading history at the grant date, the Group estimated the potential volatility of the ordinary shares price by referring to the average volatility of these comparable companies because management believes that the average volatility of such companies was a reasonable benchmark to use in estimating the expected volatility of Engen's ordinary shares. The fair value of the underlying ordinary shares of Engen of RMB21,235 per ordinary share was based on the results using an income approach. The expected dividend yield of 0%, a suboptimal factor of 2.2 and a risk-free rate of 3.855% were used as other key assumptions. No Engen Share Options were exercised during the years ended December 31, 2011 and 2012. The Engen Share Options outstanding at December 31, 2011, 2012 had a remaining contractual life of 9.8 years and 8.8 years respectively. On August 23, 2013, the Company entered into a share option agreement (the "Yu Share Option Agreement") with Mr. Yu which the Company agreed to grant to Mr. Yu options to purchase 1,013,000 shares in the Company at the exercise price of RMB63,179 per share. The purpose of the Yu Share Option Agreement is to replace the share option agreement (the "Engen Option Agreement") dated October 31, 2011 entered into between Mr. Yu, Gushan and Engen, pursuant to which Mr. Yu was granted options to purchase shares in Engen as disclosed above. No options under Yu Share Option Agreement were exercised during the nine months ended September 30, 2013. The options granted under the Yu Share Option Agreement ("Yu Share Options") outstanding at September 2013 had a remaining contractual life of 8 years. The replacement of Engen Share Options by Yu Share Options is accounted for as a modification of the original grant of Engen Share Options. The modification has no impact on the profit or loss of the Group for the nine months ended 30 September 2013 as there was no incremental fair value related to the options granted at the date of replacement. Yu Share Options have been fully exercised on October 16, 2013 (See Section C below).

On January 11, 2011, Gushan granted share options for the purchase of an aggregate of 3,000,000 of its ordinary shares to nine employees of Jinxin pursuant to Gushan's share option scheme ("Gushan Share Options"). The exercise price is US$0.61 per ordinary share. One third of the options will be vested in 12 months from the date of grant, one third will be in 24 months from the date of grant and the remaining one third will be in 36 months from the date of grant. The estimated fair value of the Gushan Share Options at grant date was US$0.36 (RMB2.36) per share. The expected volatility of 82.48% was based on the implied volatility of the options in the market which were based on Gushan's shares as the underlying asset. The expected dividend yield of 0.87% was used as an assumption. The amount of share-based payment expense recognized for these options was RMB3,596,000 for the year ended December 31, 2011.

On October 12, 2012, Gushan cancelled such share options due to its privatization from NYSE. As a result of such cancellation, the Group fully recognized the previously measured but unrecognized cost of RMB2,647,000 at the cancellation date. Such share-based payment expenses in 2011 and 2012 were recorded as contribution from shareholder in capital reserve since the Group had no obligation to settle the share option awards.

27 Commitments

(a) Capital commitments outstanding at December 31, 2010, 2011 and 2012 and September 30, 2013 not provided for in the Financial Information were as follows:

	At December 31,			At September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for				
– property, plant and equipment	–	20,230	95,363	95,365
– land use rights	–	–	56,216	14,000
Authorized but not contracted for	–	–	4,490	122,806
	–	20,230	156,069	232,171

As at September 30, 2013, each of Tongxin, Baohe Xinshiji and Baohe Taiyue had a Management Consultancy Agreement with Baohe Fushan (collectively (the "Management Consultancy Agreements"), pursuant to which Baohe Fushan agreed to provide various services to Tongxin, Baohe Xinshiji and Baohe Taiyue. In return, each of Tongxin, Baohe Xinshiji and Baohe Taiyue is committed to pay Baohe Fushan an administrative fee and a consultancy fee which amounts to 20% and 30%, respectively, of all government grants and subsidies obtained in connection with the facility of each of Tongxin, Baohe Xinshiji and Baohe Taiyue. The Management Consultancy Agreements will remain in force till 2015.

(b) At December 31, 2010, 2011, 2012 and September 30, 2013, the total future minimum lease payments under non-cancellable operating leases in respect of staff quarters and office premises are payable as follows:

	At December 31,			At September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
With 1 year	–	–	13	636
After 1 year but within 5 years	–	–	–	11
	–	–	13	647

(c) At December 31, 2010, 2011, 2012 and September 30, 2013, the Group had outstanding purchase agreements with some of its suppliers and required to purchase from the suppliers an aggregate of Nil, 110, Nil and 66,972 metric tons of scrap copper respectively with the price to be determined at the time of purchases based on market price.

28 Contingent liabilities

At December 31, 2012 and September 30, 2013, Jinxin entered into a cross guarantee agreement with a bank in respect of bills payable facilities totaling RMB40,000,000 granted to Jinxin, a supplier and two customers of Jinxin ("Contracted Parties") which remain in force so long as the Contracted Parties have drawn down under the banking facilities. According to the cross guarantee agreement, the Contracted Parties that are a party to the guarantee arrangement are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

As at December 31, 2012 and September 30, 2013, the directors did not consider it probable that a claim will be made against the Group under any of the above guarantees. The maximum liabilities of the Group as at December 31, 2012 and September 30, 2013 under the cross guarantees are the aggregate amount of the facilities available for the two customers and a supplier of RMB25,000,000 and RMB25,000,000 respectively. No cross guarantees were issued for the period ended December 31, 2010 and for the year ended December 31, 2011.

29 Related party transactions

In addition to the related party information disclosed elsewhere in this Financial Information, the Group entered into the following significant related party transactions during the Relevant Periods.

(a) Significant related party transactions

(i) Financing arrangements

	Period from August 6, 2010 (date of inception) to December 31,	Years ended December 31,		Nine months ended September 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest expense on loan from Gushan	–	4,404	5,359	4,000	3,975
Interest expense on loan from Gold Hero	–	505	318	274	–
Interest expense on loan from Silver Harvest	–	420	265	228	106
	–	5,329	5,942	4,502	4,081

(ii) Other related parties transactions

	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	2012	Nine months ended September 30, 2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sale of recycled copper products to Guangzhou Taiyue	–	–	–	–	32,293
Sale of recycled copper products to Sichuan Xinshiji *(Note)*	–	–	–	–	125,823
Purchase of power transmission and distribution cables from Sichuan Xinshiji *(Note)*	–	–	–	–	146,214
Purchase of recycled copper products from Sichuan Xinshiji	–	–	–	–	5,353
Processing fee charged by Guangzhou Taiyue	–	–	–	–	9,350
Processing fee charged by Sichuan Xinshiji	–	–	–	–	26,361
Administrative fee and consultancy fee payable to Baohe Fushan	–	–	–	–	2,325

Note: During the nine months ended September 30, 2013, the Group sold recycled copper products in the amount of RMB125,823,000 to Sichuan Xinshiji and purchased from Sichuan Xinshiji power transmission and distribution cable products in the amount of RMB146,214,000. As the recycled copper products sold by the Group to Sichuan Xinshiji were used or were expected to be used by Sichuan Xinshiji as raw materials for its production of power transmission and distribution cable products, for financial reporting purposes, the RMB125,823,000 sales of recycled copper products by the Group have not been recognized as revenue in the consolidated income statement of the Group for the nine months ended September 30, 2013 but as a reduction of the cost of the Group's purchases of power transmission and distribution cables.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in note 7 and certain of the highest paid individuals as disclosed in note 8, is as follows:

	Period from August 6, 2010 (date of inception) to December 31, 2010	Years ended December 31, 2011	2012	Nine months ended September 30, 2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short-term employee benefits	32	174	283	163	664
Retirement scheme contributions	1	5	8	4	14
Share-based payments	–	10,577	2,148	1,135	–
	33	10,756	2,439	1,302	678

Total remuneration was included in "staff costs" (see note 5(b)).

30 Financial risk management and fair values

Exposure to credit, liquidity, interest rate, currency, commodity price risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables.

Management has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are normally due within 35 days from the date of transaction. The Group also offers revolving credit to its customers. The revolving credit, which provides for a maximum credit limit that may be outstanding at any one time, is determined based on such factors as current market conditions and the customers' credit history and current ability to pay. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At December 31, 2010, 2011 and 2012 and September 30, 2013, Nil, 5.8%, 17.2% and 13.2%, respectively, of the total trade debtors and bills receivable was due from the Group's largest customer and 43.7%, 39.7%, 55.0% and 30.0%, respectively, was due from the five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and bills receivable are set out in note 17.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at December 31, 2010, 2011 and 2012 and September 30, 2013 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet dates) and the earliest date the Group can be required to pay.

	At December 31, 2010 Contractual undiscounted cash flow			
	More than 1 year but less than 2 years	**Within 1 year or on demand**	**Total**	**Balance sheet carrying amount**
		RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	–	91,335	91,335	91,335
Bank loans	–	61,715	61,715	60,000
Amounts due to related parties	–	78,573	78,573	78,573
Loans from related parties	–	31,399	31,399	29,675
	–	263,022	263,022	259,583

	At December 31, 2011			
	Contractual undiscounted cash flow			
	More than 1 year but less than 2 years	Within 1 year or on demand	Total	Balance sheet carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	–	112,986	112,986	112,986
Bank loans and other borrowings	–	113,992	113,992	110,000
Amounts due to related parties	–	133,474	133,474	133,474
Loans from related parties	–	111,967	111,967	105,435
	–	472,419	472,419	461,895

	At December 31, 2012			
	Contractual undiscounted cash flow			
	More than 1 year but less than 2 years	Within 1 year or on demand	Total	Balance sheet carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	–	253,810	253,810	253,810
Bank loans and other borrowings	–	183,158	183,158	175,000
Amounts due to related parties	–	145,662	145,662	145,662
Loans from related parties	–	100,136	100,136	94,315
	–	682,766	682,766	668,787

	At September 30, 2013			
	Contractual undiscounted cash flow			
	More than 1 year but less than 2 years	Within 1 year or on demand	Total	Balance sheet carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Trade and other payables	–	410,049	410,049	410,049
Bank loans and other borrowings	73,890	307,177	381,067	357,550
Amounts due to related parties	–	97,537	97,537	97,537
Loans from related parties	–	87,160	87,160	85,672
	73,890	901,923	975,813	950,808

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total interest bearing borrowings at December 31, 2010, 2011 and 2012 and September 30, 2013:

	At December 31,						At September 30,	
	2010		2011		2012		2013	
	Effective interest rate	**Amount**	**Effective interest rate**	**Amount**	**Effective interest rate**	**Amount**	**Effective interest rate**	**Amount**
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Fixed rate borrowings:								
Bank loans and other borrowings	5.73	60,000	7.41	110,000	7.27	175,000	9.99	357,550
Loans from related parties	5.56	29,675	6.19	105,435	6.21	94,315	6.45	85,672
Total fixed rate borrowings		89,675		215,435		269,315		443,222

(ii) Sensitivity analysis

At December 31, 2010, 2011 and 2012 and September 30, 2013, all of the Group's interest bearing borrowings are fixed rate borrowings, no sensitivity analysis on interest rate risk is presented.

(d) Currency risk

The Group is exposed to currency risk primarily related to receivables, payables and cash balances that are denominated in United States dollars and Hong Kong dollars, currencies other than the functional currency of the operations to which the transactions relate.

(i) Exposure to currency risk

The following table details the Group's exposure at December 31, 2010, 2011 and 2012 and September 30, 2013 to currency risk arising from recognized assets or liabilities denominated in United States dollars and Hong Kong dollars. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet dates. Differences resulting from the translation of the financial information of the subsidiaries with functional currency other than RMB into the Group's presentation currency are excluded.

	At December 31,			At September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
United States dollars				
Amounts due from related parties	–	4,466	–	–
Cash and cash equivalents	10,491	11,950	3,277	6
Loans from related parties	(29,675)	(105,435)	(94,315)	(85,672)
Amounts due to related parties	–	(5,207)	(9,645)	(13,472)
Net exposure arising from recognized assets and liabilities	(19,184)	(94,226)	(100,683)	(99,138)

	At December 31, 2010	2011	2012	At September 30, 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong dollars				
Amounts due from related parties	–	–	–	–
Cash and cash equivalents	–	–	2	1,173
Amounts due to related parties	(47,864)	(88,570)	(2,347)	(67,890)
Net exposure arising from recognized assets and liabilities	(47,864)	(88,570)	(2,345)	(66,717)

(ii) Sensitivity analysis

At December 31, 2010, 2011 and 2012 and September 30, 2013, it is estimated that a 3% strengthening/weakening of United States dollars against RMB would result in approximately decrease/increase by RMB576,000, RMB2,827,000, RMB3,020,000 and RMB2,974,000 of the Group's other comprehensive income respectively.

At December 31, 2010, 2011 and 2012 and September 30, 2013, it is estimated that a 3% strengthening/weakening of Hong Kong dollars against RMB would result in approximately decrease/increase by RMB1,436,000, RMB2,657,000, RMB70,000 and RMB2,004,000 of the Group's other comprehensive income respectively.

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' other comprehensive income measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial information of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2010, 2011, 2012 and the nine months ended September 30, 2013.

(e) Commodity price risk

The major raw materials used in the production of the Group's products are scrap copper. The Group is exposed to fluctuations in the price of copper which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group uses copper futures contracts to mitigate its exposure against price fluctuations of copper raw materials. The market value of futures contracts is based on quoted market price at settlement or balance sheet date. The Group does not have significant outstanding copper futures contracts as at December 31, 2010, 2011 and 2012 and September 30, 2013.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

There were no transfer between levels 1, 2 and 3 during the Relevant Periods.

Assets/(liabilities)

		At December 31,		At September 30,
	2010	**2011**	**2012**	**2013**
	Level 1	**Level 1**	**Level 1**	**Level 1**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments				
– Copper futures contracts	–	–	(3)	(321)
	Level 3	**Level 3**	**Level 3**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contingent consideration liabilities arising from business combination	–	(1,880)	–	–

The movement during the Relevant Periods in the balance of Level 3 fair value measurements is as follows:

	Period from August 6, 2010 (date of inception) to December 31,	Years ended December 31,		Nine months ended September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contingent consideration liabilities arising from a business combination				
At the beginning of the year	–	–	1,880	–
Addition	–	5,817	–	–
Changes in fair value recognized in profit or loss *(note 4(b))*	–	(3,937)	2,211	–
Settlement	–	–	(4,091)	–
At the end of the year	–	1,880	–	–

The valuation technique used in the determination of fair values within Level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation models is as follows:

Type	**Valuation approach**	**Key unobservable inputs**	**Inter relationship inputs between key unobservable and fair value measurement**
Contingent consideration liabilities	The fair value is calculated by applying the income approach	– Discount rate (7.14% to 8.03%) – a probability adjusted level of the cumulative net income of Xiangbei for the three-year period ending December 31, 2013 – Valuation of Engen's ordinary shares	The estimated fair value of contingent consideration liabilities increases when the higher is the estimated net income of Xiangbei and valuation of Engen's ordinary shares and the lower is the discount rate

(ii) Fair values of financial instruments carried at other than fair values

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at December 31, 2010, 2011 and 2012 and September 30, 2013.

(g) Estimation of fair values

(i) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments at the balance sheet dates.

(ii) Derivatives

Copper futures contracts are measured using quoted prices in active markets for identical financial instruments.

31 Business combinations

(a) Acquisition of Jinxin

(i) On November 3, 2010, Engen, through its wholly-owned subsidiary, True Excel acquired the entire ownership interest in Jinxin, for a cash consideration of RMB17,700,000. True Excel and the two vendors, Mr. Chen Lian and Mr. Liu Hanjiu also agreed under the purchase agreement to increase the registered capital of Jinxin by RMB30,000,000 to RMB40,000,000. The capital contribution of RMB30,000,000 was paid by True Excel to Jinxin in cash.

As part of the acquisition, Gushan sold to Gold Hero and Silver Harvest, two BVI companies beneficially owned by the each of Mr. Chen Lian and Mr. Liu Hanjiu respectively, ordinary shares representing a total of 33% of issued and outstanding share capital of Engen for a total consideration of US$870,000 (approximately RMB5,776,000). In addition, Gushan would issue and Gold Hero would purchase up to 24 million newly issued ordinary shares of Gushan ("Gushan Consideration Shares") for a fixed amount of US$1,764,000 (approximately RMB11,766,000).

The Gushan Consideration Shares are subject to an earn-out arrangement whereby 6 million shares were issued to Gold Hero at the closing of the acquisition, while the remaining 18 million ordinary shares were placed into escrow ("Gushan Contingent Consideration Shares"). The Gushan Contingent Consideration Shares are to be released to Gold Hero in stages upon the determination of Jinxin's net income under U.S. Generally Accepted Accounting Principles ("U.S. GAAP") for the year ended December 31, 2010 and the cumulative U.S. GAAP net income of Jinxin for the three-year period ended December 31, 2012. Under the earn-out arrangement, a maximum of 6 million Gushan Contingent Consideration Shares are to be released to Gold Hero, if Jinxin achieved net income of RMB30,000,000 or more for the year ended December 31, 2010. The remaining Gushan Contingent Consideration Shares are to be released to Gold Hero, if Jinxin achieves a cumulative net income of RMB190,000,000 or more during the three-year period ended December 31, 2012. Based on the formula as set out in the purchase agreement in connection with the acquisition, if Jinxin's cumulative net income for the three-year period ended December 31, 2012 is RMB Nil or below, Gold Hero is required to return to Gushan, all of the Gushan Consideration Shares received in connection with the acquisition (or Gold Hero has an option to pay in cash an amount equal to the number of Gushan Consideration Shares received in connection with the acquisition times US$1.00 per share) plus paying US$4,500,000 (equivalent to RMB30,000,000) in cash to Gushan.

Gushan had the contractual obligation to issue the Gushan Consideration Shares to Gold Hero and Engen had no obligations in connection with the earn-out arrangement. The fair value of the Gushan Consideration Share at the acquisition date was recorded by the Group as an additional contribution of equity from Gushan. Subsequent change in the fair value and settlement of the Gushan Consideration Shares would not affect the financial information of the Group. During 2011, pursuant to the earn-out arrangement, 6 million Gushan Contingent Consideration Shares were released from escrow to Gold Hero as Jinxin's net income surpassed the net income target for the year ended December 31, 2010. In connection with the proposed privatization of Gushan, Gushan, Engen, Gold Hero and Silver Harvest entered into a deed of amendment to the stock purchase agreement on June 4, 2012 to the effect that, upon the privatization of Gushan, the outstanding earn-out arrangement between Gushan and Gold Hero was revised such that the settlement of any earn-out obligation by either Gushan or Gold Hero would be in cash only.

In February 2013, Gushan, Engen, Gold Hero and Silver Harvest entered into another deed of amendment to the share purchase agreement to terminate the outstanding earn-out arrangement between Gushan and Gold Hero for the two years ended December 31, 2012. Accordingly, Gushan is no longer required to issue any further shares or make any further cash payment under the earn-out arrangement between Gushan and Gold Hero for the two years ended December 31, 2012.

(ii) The operating results of Jinxin have been included in the Financial Information since November 3, 2010, the date of acquisition of Jinxin by the Group.

(iii) Jinxin contributed turnover of RMB205,059,000 and net profit of RMB9,387,000 to the Group for the period ended December 31, 2010 since the date of acquisition on November 3, 2010.

(iv) The estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value
	RMB'000
Property, plant and equipment	32,218
Lease prepayments	5,244
Prepayments for property, plant and equipment	3,390
Deferred tax assets	502
Inventories	35,576
Trade and other receivables	64,930
Pledged deposits	2,000
Cash and cash equivalents	3,032
Trade and other payables	(21,655)
Bank loans	(50,000)
Amount due to Mr. Liu Hanjiu	(4,500)
Amount due to Mr. Chen Lian	(29,500)
Current taxation	(6,392)
Identifiable net assets	34,845
Goodwill	16,081
Total consideration	50,926

The goodwill arising from the acquisition of Jinxin is mainly for the long term earning capability potential of Jinxin in the environmental sector of the PRC.

	RMB'000
Satisfied by:	
Fair value of Gushan Consideration Shares	36,753
Less: cash received by Gushan in connection with Gushan Consideration Shares	(11,766)
Fair value of 33% equity interest in Engen at the acquisition date	14,015
Less: cash received by Gushan for disposal of 33% equity interest in Engen	(5,776)
Consideration borne by Gushan *(see note 25(b)(i))*	33,226
Cash consideration paid by the Group	17,700
Total consideration	50,926
Cash and cash equivalents acquired	3,032
Consideration settled in cash	(17,700)
Net cash outflow arising from the acquisition of Jinxin	(14,668)

(v) The pre-acquisition financial information of Jinxin from January 1, 2010 to the date of acquisition of November 3, 2010 is set out in note 32.

(b) Acquisition of Xiangbei

(i) On August 1, 2011, Engen, through its wholly-own subsidiary, True Excel acquired the entire ownership interest in Xiangbei, for a cash consideration of RMB34,600,000. The purpose of this acquisition is to diversify the Group's copper business in different locations in the PRC.

As part of the acquisition, Gold Wide and Silvery Boom, two BVI companies beneficially owned by each of the vendors, Mr. Huang Weiping and Mr. Zhang Huayi ("Xiangbei Vendors") would receive (i) up to 14.17% of Engen's enlarged share capital after the issuance ("Engen Shares"), for a fixed consideration of US$710,808 (approximately RMB4,578,000) and (ii) up to 20 million newly issued ordinary shares of Gushan ("Gushan Shares") for a nominal amount of HK$200.

Both Gushan Shares and Engen Shares are subject to an earn-out arrangement and are to be issued in stages upon the determination of Xiangbei's net income under U.S. GAAP for the years ended/ending December 31, 2011, 2012 and 2013. Under the earn-out arrangement, (i) new Engen Shares of up to 4.72% of Engen's enlarged share capital and a maximum of 6.6 million newly issued Gushan Shares may be issued to the vendors if Xiangbei achieves net income of RMB20,000,000 for the year ended December 31, 2011, (ii) new Engen Shares of up to 4.72% of Engen's enlarged share capital and a maximum of 6.6 million new Gushan Shares may be issued to the vendors if Xiangbei achieves net income of RMB50,000,000 for the year ended December 31, 2012, and (iii) new Engen Shares of up to 4.73% of Engen's enlarged share capital and a maximum of 6.8 million new Gushan Shares may be issued to the vendors if Xiangbei achieves net income of RMB80,000,000 for the year ending December 31, 2013. If Xiangbei's net income over the three years do not meet the cumulative net income target of the three-year earn-out, the Xiangbei Vendors are required to return to Engen or Gushan, as applicable, part or all of the Engen Shares or Gushan Shares (or pay Engen or Gushan an amount in cash equal to the value of such shares as determined under the earn-out arrangement) plus paying cash up to RMB30,000,000.

In addition, Gushan will issue additional ordinary shares of Gushan ("Additional Gushan Shares") to the Xiangbei Vendors if the volume weighted average trading price of Gushan Shares over the 30 calendar day period immediately after the public announcement of Gushan's 2013 annual financial results is below US$1.25 per share. The number of Additional Gushan Shares to be issued will be determined based on the shortfall amount per share multiplied by the number of Gushan Shares issued to the vendors under the three-year earn-out arrangement, limited to a maximum value of RMB20,000,000.

All of the Engen Shares, Gushan Shares and Additional Gushan Shares were contingent considerations for the acquisition of Xiangbei. The fair value of the contingent considerations related to Gushan Shares and Additional Gushan Shares at the acquisition date has been recorded in the Financial Information as equity contribution from Gushan since Gushan had the contractual obligation to issue the shares to the Xiangbei Vendors. Subsequent change in fair value and settlement of Gushan Shares and Additional Gushan Shares will not affect the Financial Information of the Group as the Group had no obligations in issuing or settling any of the Gushan Shares and Additional Gushan Shares. The fair value of the contingent considerations related to Engen Shares were recorded as a liability of the Group as Engen is obligated to deliver Engen Shares upon the results of the earn-out arrangement. The contingent consideration liabilities related to Engen Shares are stated at fair value at the acquisition date and re-measured at each balance sheet date. Subsequent changes in the fair value of the contingent consideration liabilities at each balance sheet date is recognized in profit or loss. The Group recognized a decrease in fair value of contingent consideration liabilities of RMB3,937,000 for the year ended December 31, 2011 and an increase in fair value of contingent consideration liabilities of RMB2,211,000 for the year ended December 31, 2012.

In 2012, 225 Engen Shares were issued under the earn-out arrangement in respect of the year ended December 31, 2011. In connection with the privatization proposal of Gushan, Gushan, Engen, Gold Hero, Silver Harvest, Gold Wide and Silvery Boom entered into a deed of amendment to the share purchase agreement on June 4, 2012 to the effect that, upon the privatization of Gushan, the above earn-out arrangements were revised such that the settlement of any earn-out obligation would be in cash or by the return of shares in Engen.

In February 2013, Gushan, Engen, Gold Hero, Silver Harvest, Gold Wide and Silvery Boom entered into another deed of amendment to the share purchase agreement to terminate the above earn-out arrangement. Accordingly, Gushan and Engen are no longer required to issue any further shares or make any further cash payment under the above earn-out arrangement for the years 2012 and 2013.

(ii) The operating results of Xiangbei has been included in the Financial Information since August 1, 2011, the date of the acquisition of Xiangbei by the Group.

(iii) Xiangbei contributed turnover of RMB205,839,000 and net profit of RMB18,269,000 to the Group for the period from August 1, 2011 (date of acquisition by the Group) to December 31, 2011. The effect on turnover and net profit of the Group for the year ended December 31, 2011 as if the acquisition had occurred at the date of establishment of Xiangbei on January 18, 2011 are RMB412,137,000 and RMB21,949,000 respectively.

(iv) The estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value
	RMB'000
Property, plant and equipment	37,364
Lease prepayments	4,464
Inventories	14,474
Trade and other receivables	39,694
Cash and cash equivalents	7,051
Trade and other payables	(32,207)
Amount due to Jinxin	(12,888)
Amount due to Mr. Huang Weipang	(17,980)
Amount due to Mr. Zhang Huayi	(11,990)
Current taxation	(886)
Deferred tax liabilities	(2,468)
Identifiable net assets	24,628
Goodwill	22,766
Total consideration	47,394

The goodwill arising from the acquisition of Xiangbei is mainly for the synergy effect from running the copper business in different locations in the PRC.

	RMB'000
Satisfied by:	
Fair value of contingent consideration in connection with Gushan Shares and Additional Gushan Shares at acquisition date – consideration borne by Gushan *(see note 25(b)(ii))*	11,555
Fair value of contingent consideration in connection with Engen Shares at acquisition date	5,817
Cash consideration paid by the Group	34,600
Subscription money receivable by Engen for issuance of potential shares under the contingent consideration	(4,578)
Total consideration	47,394
Cash and cash equivalents acquired	7,051
Consideration settled in cash	(34,600)
Net cash outflow arising from the acquisition of Xiangbei	(27,549)

(v) The pre-acquisition financial information of Xiangbei from the date of establishment of Xiangbei on January 18, 2011 to the date of acquisition of August 1, 2011 is set out in note 33.

(c) Acquisition of Baohe Xinshiji

(i) On November 30, 2012, the Group entered into a sale and purchase agreement to acquire all of the equity interests of Baohe Xinshiji at a cash consideration of RMB30,000,000 from Sichuan Xinshiji and Baohe Fushan. Baohe Xinshiji was established in September 2012 and owned as to 80% by Sichuan Xinshiji and 20% by Baohe Fushan. The purpose of the acquisition is to extend the depth of the Group's copper business vertically in order to benefit from synergy effect from sale of power transmission and distribution cables. During the relevant periods, Sichuan Xinshiji was one of the customers for the Group's recycled copper products. The acquisition of Baohe Xinshiji was completed on December 31, 2012. The consideration was fully settled by the Group in March 2013.

(ii) The effect on turnover and net profit of the Group for the year ended December 31, 2012 as if the acquisition had occurred at the date of establishment of Baohe Xinshiji on September 19, 2012 is an increase of RMB71,442,000 and a decrease of RMB213,000 respectively.

(iii) The estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value
	RMB'000
Property, plant and equipment	8
Prepayment for property, plant and equipment	13,500
Intangible assets	7,598
Inventories	262
Trade and other receivables	55,525
Cash and cash equivalents	134
Trade and other payables	(29,656)
Amount due to Sichuan Xinshiji	(16,797)
Current taxation	(787)
Identifiable net assets	29,787
Goodwill	213
Total consideration	30,000
Cash and cash equivalents acquired and net cash inflow arising from the acquisition of Baohe Xinshiji	134

The goodwill arising from the acquisition of Baohe Xinshiji is mainly for the benefit of synergy effect of expansion into downstream copper cable business.

(iv) Prior to and in connection with the Group's acquisition of Baohe Xinshiji, Baohe Xinshiji entered into certain agreements with the relevant parties:

(a) Baohe Xinshiji Asset Transfer Agreements

Baohe Xinshiji entered into an asset transfer agreement with Sichuan Xinshiji on September 21, 2012, pursuant to which Sichuan Xinshiji agreed to transfer all of its production equipment and intangible assets to Baohe Xinshiji for a consideration of RMB30,000,000. As at December 31, 2012, the date of acquisition of Baohe Xinshiji, RMB10,000,000 of such assets have been transferred to Baohe Xinshiji which are taken into account in the fair value of the identifiable net assets acquired presented in note 31(c)(iii) above. In March 2013, Baohe Xinshiji entered into a supplemental agreement with Sichuan Xinshiji under which the consideration of RMB30,000,000 in respect of the asset transfer agreement will be adjusted if the relevant assets cannot be successfully transferred or installed. As at December 31, 2012, remaining commitment of RMB20,000,000 is included in the capital commitment of the Group disclosed in note 27(a).

(b) Xinshiji processing Agreement

Baohe Xinshiji entered into a processing agreement in September 2012, pursuant to which Sichuan Xinshiji was engaged as the contract manufacturer of Baohe Xinshiji pending the completion of Baohe Xinshiji facility. According to the processing agreement, Baohe Xinshiji has agreed to supply copper raw materials to Sichuan Xinshiji and Sichuan Xinshiji is agreed to source other ancillary raw materials and provide processing services to Baohe Xinshiji for a fee. The processing fees are negotiated and agreed between the parties on an order-by-order basis.

(c) Baohe Xinshiji Project Investment Agreement

Baohe Xinshiji and Baohe Fushan entered into an agreement (the "Baohe Xinshiji Project Investment Agreement") on September 19, 2012 in connection with the Baohe Xinshiji facility in the industrial park within the Youxian Economic Development Zone, Mianyang, Sichuan Province (the "Youxian Industrial Park"). Pursuant to the Baohe Xinshiji Project Investment Agreement, Baohe Fushan, as the administrator of the industrial park, agreed to assist Baohe Xinshiji in its application for the land use right certificate for a piece of land located in the Youxian Industrial Park. According to the Baohe Xinshiji Project Investment Agreement, the land will be granted with an estimated price of RMB21,000,000. Separately, Baohe Xinshiji agreed to pay an amount of RMB13,500,000 to Baohe Fushan as an infrastructure development fee.

Furthermore, if Baohe Xinshiji pays taxes in excess of certain threshold in each of 2013, 2014 and 2015, Baohe Fushan has agreed to assist Baohe Xinshiji in obtaining subsidies from the government. Conversely, if Baohe Xinshiji does not meet such tax payment threshold, it may be required to pay an amount equivalent to the shortfall from the tax payment threshold.

As at December 31, 2012, the date of acquisition of Baohe Xinshiji, the infrastructure development fee of RMB13,500,000 had been paid to Baohe Fushan and is included in "prepayment for property, plant and equipment" in the summary of assets acquired and liabilities assumed presented above. The estimated cost of land in the amount of RMB21,000,000 is included in the capital commitments of the Group as at December 31, 2012 as disclosed in note 27.

In August 2013, Baobe Xinshiji and Baohe Fushan entered into a supplemental project investment agreement. Details of the arrangement, as supplemented, are summarized under paragraph headed "Business – Project Investment Agreements and Management Consultancy Agreements" in the Prospectus.

(d) Baohe Xinshiji Management Consultancy Agreement

Baohe Xinshiji and Baohe Fushan entered into the Baohe Xinshiji Management Consultancy Agreement on September 19, 2012 pursuant to which Baohe Fushan has agreed to provide various management consultancy services to Baohe Xinshiji, including handling government filings, applying for licenses and providing certain other consultancy services. In return, Baohe Xinshiji is required to pay Baohe Fushan an administrative fee and a consultancy fee which amounts to 20% and 30%, respectively, of all government grants and subsidies that Baohe Xinshiji obtained in connection with the Baohe Xinshiji facility.

The directors of the Company considered that the agreements that were in place at the date of the acquisition had been entered into by Baohe Xinshiji and the relevant parties under commercial terms. Accordingly, no separate assets or liabilities have been recognized in respect of these contractual arrangements under acquisition accounting.

(d) Acquisition of Baohe Taiyue

(i) On November 3, 2011, Gushan, Engen and other shareholders of Engen entered into a sale and purchase agreement with Mr. Fan Dunxian and Ms. Wen Chunxiu, the then shareholders of Guangzhou Taiyue and both independent third parties at the time of the proposed acquisition, to acquire the equity interests of Guangzhou Taiyue. The purchase price payable included (i) RMB10,000,000; (ii) the issuance of shares of Engen representing up to 10.63% of the total issued share capital of Engen at the price of US$3,246,000 to the sellers; and (iii) the issuance of up to 20 million shares of Gushan at the price of HK$200 in total to the sellers. Subsequently and as a result of the privatization proposal of Gushan, the parties agreed to terminate the sale and purchase agreement on May 29, 2012 as a significant portion of the proposed purchase price of Guangzhou Taiyue was to be in the form of shares of Gushan, which would no longer be liquid upon the completion of the privatization, the parties agreed to terminate the sale and purchase agreement on May 29, 2013. Subsequent to the completion of the privatization of Gushan, the Group entered into a sale and purchase agreement on November 30, 2012 to acquire all of the equity interests of Baohe Taiyue at a cash consideration of RMB30,000,000 from Guangzhou Taiyue and Baohe Fushan. Baohe Taiyue was established in August 2012 and owned as to 80% by Guangzhou Taiyue and 20% by Baohe Fushan. The purpose of the acquisition is to extend the depth of the Group's copper business vertically in order to benefit from synergy effect from sale of communication cables. Guangzhou Taiyue is one of the Group's customers for its recycled copper products. The acquisition of Baohe Taiyue was completed on December 31, 2012. The consideration was fully settled by the Group in March 2013.

(ii) The effect on turnover and net profit of the Group for the year ended December 31, 2012 as if the acquisition had occurred at the date of establishment of Baohe Taiyue on August 13, 2012 is an increase of RMB6,972,000 and a decrease of RMB248,000 respectively.

(iii) The estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value
	RMB'000
Property, plant and equipment	2,148
Prepayment for property, plant and equipment	9,005
Intangible assets	3,370
Inventories	832
Trade and other receivables	8,626
Amount due from Mr. Fan Dunxian	3,190
Amount due from Guangzhou Taiyue	7,187
Cash and cash equivalents	18
Trade and other payables	(4,496)
Current taxation	(128)
Identifiable net assets	29,752
Goodwill	248
Total consideration	30,000
Cash and cash equivalents acquired and net cash inflow arising from the acquisition of Baohe Taiyue	18

The goodwill arising from the acquisition of Baohe Taiyue is mainly for the benefit of synergy effect of expansion into the downstream copper cable business.

(iv) Prior to and in connection with the Group's acquisition of Baohe Taiyue, Baohe Taiyue entered into certain agreements with the relevant parties:

(a) Baohe Taiyue Asset Transfer Agreement

Baohe Taiyue entered into an asset transfer agreement with Guangzhou Taiyue on September 24, 2012, pursuant to which Guangzhou Taiyue agreed to transfer all of its production equipment and intangible assets to Baohe Taiyue for a consideration of RMB30,000,000. As at December 31, 2012, the date of acquisition of Baohe Taiyue, RMB10,000,000 of such assets have been transferred to Baohe Taiyue, which are taken into account of the fair value in the identifiable net assets acquired presented in note 31(d)(iii) above. In March 2013, Baohe Taiyue entered into a supplemental agreement with Guangzhou Taiyue under which the consideration of RMB30,000,000 in respect of the asset transfer agreement will be adjusted if the relevant assets cannot be successfully transferred or installed. As at December 31, 2012, remaining commitment of RMB20,000,000 is included in the capital commitment of the Group disclosed in note 27(a).

(b) Taiyue Processing Agreements

Baohe Taiyue entered into a series of processing agreements with Guangzhou Taiyue in November 2012. Guangzhou Taiyue is engaged as the contract manufacturer for production of Baohe Taiyue's communication cable products pending the completion of Baohe Taiyue facility. The processing fees are negotiated and agreed between the parties on an order-by-order basis.

(c) Baohe Taiyue Project Investment Agreement

Baohe Taiyue and Baohe Fushan entered into an agreement (the "Baohe Taiyue Project Investment Agreement") on September 27, 2012 in connection with the Baohe Taiyue facility in the Youxian Industrial Park. Pursuant to the Baohe Taiyue Project Investment Agreement, Baohe Fushan, as the administrator of the industrial park, agreed to assist Baohe Taiyue in its application for the land use right certificate for a piece of land located in the Youxian Industrial Park. According to the Baohe Taiyue Project Investment Agreement, the land will be granted with an estimated price of RMB14,000,000. Separately, Baohe Taiyue agreed to pay an amount of RMB9,000,000 to Baohe Fushan as an infrastructure development fee.

Furthermore, if Baohe Taiyue pays taxes in excess of certain threshold in each of 2013, 2014 and 2015, Baohe Fushan has agreed to assist Baohe Taiyue in obtaining certain subsidies from the government. Conversely, if Baohe Taiyue does not meet such tax payment threshold, it may be required to pay an amount equivalent to the shortfall from the tax payment threshold.

As at December 31, 2012, the date of acquisition of Baohe Taiyue, the initial infrastructure development fee of RMB9,000,000 had been paid to Baohe Fushan and is included in "prepayment for property, plant and equipment" in the summary of assets acquired and liabilities assumed presented above. The estimated cost of land in the amount of RMB14,000,000 is included in the capital commitment of the Group as at December 31, 2012 as disclosed in note 27.

In August 2013, Baobe Taiyue and Baohe Fushan entered into a supplemental project investment agreement. Details of the supplemental agreement are set out in paragraph headed "Business – Project Investment Agreements and Management Consultancy Agreements" in the Prospectus.

(d) Baohe Taiyue Management Consultancy Agreement

Baohe Taiyue and Baohe Fushan entered into the Baohe Taiyue Management Consultancy Agreement on September 27, 2012 pursuant to which Baohe Fushan has agreed to provide various management consultancy services to Baohe Taiyue, including handling government filings, applying for licenses and providing certain other consultancy services. In return, Baohe Taiyue is required to pay Baohe Fushan an administrative fee and a consultancy fee which amounts to 20% and 30%, respectively, of all government grants and subsidies that Baohe Yaiyue obtained in connection with the Baohe Taiyue facility.

The directors of the Company considered that the agreements that were in place at the date of acquisition had been entered into by Baohe Taiyue and the relevant parties under commercial terms. Accordingly, no separate assets or liabilities have been recognized in respect of these contractual arrangements under acquisition accounting.

32 Pre-acquisition financial information of Jinxin

The pre-acquisition financial information of Jinxin from January 1, 2010 to the date of acquisition is provided below. The accounting policies adopted in the preparation of the pre-acquisition financial information are consistent with those adopted in the preparation of the Financial Information.

(a) Statement of comprehensive income

	Note	**For the period from January 1, 2010 to November 2, 2010** *RMB'000*
Turnover	*(1)*	506,624
Cost of sales		(464,589)
Gross profit		42,035
Other revenue	*(2)*	897
Other net loss	*(2)*	(986)
Selling and distribution expenses		(1,436)
Administrative expenses		(3,706)
Profit from operations		36,804
Finance costs	*(3)*	(1,588)
Profit before taxation	*(4)*	35,216
Income tax	*(5)*	(8,802)
Profit and total comprehensive income for the period		26,414

(b) Balance sheet

	Note	At November 2, 2010 RMB'000
Non-current assets		
Property, plant and equipment	(6)	36,270
Lease prepayments	(7)	4,159
Prepayments for property, plant and equipment		3,390
Deferred tax assets	(8)	141
		43,960
Current assets		
Inventories	(9)	34,053
Trade and other receivables	(10)	64,930
Pledged deposits	(11)	2,000
Cash and cash equivalents	(12)	3,032
		104,015
Current liabilities		
Trade and other payables	(13)	21,655
Bank loans	(14)	50,000
Amounts due to related parties	(15)	34,000
Current taxation	(8)	6,392
		112,047
Net current liabilities		(8,032)
NET ASSETS		35,928
CAPITAL AND RESERVES		
Paid-in capital		10,000
Reserves		25,928
TOTAL EQUITY		35,928

(c) Statement of changes in equity

	Paid-in capital RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At January 1, 2010	10,000	(486)	9,514
Change in equity for the period:			
Profit and total comprehensive income for the period	–	26,414	26,414
At November 2, 2010	10,000	25,928	35,928

(d) Cash flow statement

	Note	**For the period from January 1, 2010 to November 2, 2010** *RMB'000*
Operating activities		
Cash generated from operations	*(12)*	25,631
PRC Corporate Income Tax paid		(2,551)
Net cash generated from operating activities		23,080
Investing activities		
Payment for the purchase of property, plant and equipment		(23,381)
Payment for lease prepayments		(2,912)
Interest received		14
Net cash used in investing activities		(26,279)
Financing activities		
Proceeds from new bank loans		50,000
Repayment of bank loans		(10,000)
Interest paid		(1,588)
Repayment of amounts due to related parties		(32,594)
Net cash generated from financing activities		5,818
Net increase in cash and cash equivalents		2,619
Cash and cash equivalents at the beginning of the period		413
Cash and cash equivalents at the end of the period	*(12)*	3,032

Notes:

(1) Turnover

	For the period from January 1, 2010 to November 2, 2010 *RMB'000*
Sales of recycled copper products	499,228
Sales of scrap materials	6,930
Contract manufacturing income	466
	506,624

(2) Other revenue and other net loss

	For the period from January 1, 2010 to November 2, 2010
	RMB'000
VAT refunds	823
Government grants	60
Interest income	14
	897

	For the period from January 1, 2010 to November 2, 2010
	RMB'000
Other net loss	
Loss on disposal of property, plant and equipment	986

(3) Finance costs

	For the period from January 1, 2010 to November 2, 2010
	RMB'000
Interest expense on bank loans wholly repayable within five years	1,272
Guarantee fee and other charges	316
	1,588

(4) Profit before taxation

Profit before taxation is arrived at after charging:

	For the period from January 1, 2010 to November 2, 2010
	RMB'000
(i) Staff costs	
Salaries, wages and other benefits	2,414
Contributions to defined contribution retirement schemes	321
	2,735
(ii) Other items	
Cost of inventories	464,589
Depreciation	1,240
Amortization of lease prepayments	56

(5) Income tax in the statement of comprehensive income

Taxation in the statement of comprehensive income represents:

	For the period from January 1, 2010 to November 2, 2010
	RMB'000
Current tax – PRC Corporate Income Tax	
Provision for the period	8,943
Deferred tax	
Origination and reversal of temporary differences	(141)
	8,802

Jinxin was subject to PRC Corporate Income Tax at the statutory rate of 25%.

(6) Property, plant and equipment

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2010	–	–	175	–	6,968	7,143
Additions	1,634	6,669	324	2,487	20,239	31,353
Transfers	16,494	10,146	–	–	(26,640)	–
Disposals	(999)	–	–	–	–	(999)
At November 2, 2010	17,129	16,815	499	2,487	567	37,497
Accumulated depreciation:						
At January 1, 2010	–	–	–	–	–	–
Charge for the year	324	759	28	129	–	1,240
Written back on disposals	(13)	–	–	–	–	(13)
At November 2, 2010	311	759	28	129	–	1,227
Net book value:						
At November 2, 2010	16,818	16,056	471	2,358	567	36,270

(i) All of Jinxin's property, plant and equipment is located in the PRC. At November 2, 2010, property, plant and equipment with net book value of RMB31,784,000 were pledged as security for bank loans.

(ii) At November 2, 2010, Jinxin has yet to obtain property ownership certificates for buildings with net book value of RMB16,818,000.

(7) Lease prepayments

	RMB'000
Cost:	
At January 1, 2010	1,303
Additions	2,912
At November 2, 2010	4,215
Accumulated amortization:	
At January 1, 2010	–
Charge for the period	56
At November 2, 2010	56
Net book value:	
At November 2, 2010	4,159

The lease prepayments represent cost of the land use right in respect of land located in the PRC, on which Jinxin built its production premises and buildings. The land use right expires in 2059.

At November 2, 2010, the land use right with carrying value of RMB4,159,000 was pledged as security for bank loans.

(8) Income tax in the balance sheet

(i) Current taxation in the balance sheet represents:

	RMB'000
At January 1, 2010	–
Provision for PRC Corporate Income Tax for the period	8,943
PRC Corporate Income Tax paid	(2,551)
At November 2, 2010	6,392

(ii) Deferred tax assets recognized

Deferred tax assets recognized in the balance sheet and movements during the period from January 1, 2010 to November 2, 2010 are as follows:

	Depreciation/ amortization in excess of related depreciation/ amortization allowance *RMB'000*	**Provisions and accruals** *RMB'000*	**Total** *RMB'000*
At January 1, 2010	–	–	–
Credit to profit or loss	13	128	141
At November 2, 2010	13	128	141

(9) Inventories

Inventories in the balance sheet comprise:

	At November 2, 2010
	RMB'000
Raw materials	15,150
Finished goods	18,903
	34,053

At November 2, 2010, all of the inventories were pledged as security for bank loans.

(10) Trade and other receivables

	At November 2, 2010
	RMB'000
Trade debtors and bills receivable	62,568
Other deposits, prepayments and receivables	2,362
	64,930

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired is as follows:

	At November 2, 2010
	RMB'000
Current	25,277
Less than 30 days past due	36,292
31 to 60 days past due	981
61 to 180 days past due	–
Over 180 days past due	18
Amounts past due	37,291
	62,568

(11) Pledged deposits

Pledged deposits were placed with a guarantee company for the purpose of obtaining a guaranteed bank loan of RMB10,000,000 as at November 2, 2010.

(12) Cash and cash equivalents

(i) Cash and cash equivalents in the balance sheet and cash flow statement represent:

	At November 2, 2010
	RMB'000
Cash at bank and in hand	3,032

As at November 2, 2010, all of Jinxin's cash and cash equivalents are denominated in RMB and are deposited in the banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(ii) Reconciliation of profit before taxation to cash generated from operations:

	For the period from January 1, 2010 to November 2, 2010
	RMB'000
Profit before taxation	35,216
Adjustments for:	
Depreciation	1,240
Amortization of lease prepayments	56
Interest income	(14)
Finance costs	1,588
Loss on disposal of property, plant and equipment	986
Changes in working capital:	
Decrease in inventories	23,325
Increase in trade and other receivables	(49,308)
Increase in trade and other payables	12,542
Cash generated from operations	25,631

(13) Trade and other payables

	At November 2, 2010
	RMB'000
Trade payables	5,947
Receipts in advance	1,060
Salaries, wages, bonus and other accrued benefits	500
Payables for the purchase of property, plant and equipment	8,462
Others	5,686
	21,655

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

The ageing analysis of trade payables based on transaction date is analysed as follows:

	At November 2, 2010
	RMB'000
Within 30 days	3,563
31 to 60 days	2,384
	5,947

(14) Bank loans

At November 2, 2012, bank loans of RMB50,000,000 were repayable within one year or on demand and secured by the following assets:

	At November 2, 2010
	RMB'000
Property, plant and equipment	31,784
Lease prepayments	4,159
Inventories	34,053
Pledged deposits	2,000
	71,996

(15) Amounts due to related parties

	At November 2, 2010
	RMB'000
Amount due to Mr. Liu Hanjiu	4,500
Amount due to Mr. Chen Lian	29,500
	34,000

The outstanding balance with the above related parties are unsecured, interest free and repayable on demand.

33 Pre-acquisition financial information of Xiangbei

The pre-acquisition financial information of Xiangbei from the date of its establishment on January 18, 2011 to the date of acquisition is included below. The accounting policies adopted in the preparation of the pre-acquisition financial information is consistent with those adopted in the preparation of Financial Information.

(a) Statement of comprehensive income

	Note	**For the period from January 18, 2011 (date of establishment) to July 31, 2011** *RMB'000*
Turnover	*(1)*	206,298
Cost of sales		(202,658)
Gross profit		3,640
Other revenue	*(2)*	4,550
Other net loss		(19)
Selling and distribution expenses		(263)
Administrative expenses		(2,678)
Profit before taxation	*(3)*	5,230
Income tax	*(4)*	(1,550)
Profit and total comprehensive income for the period		3,680

(b) Balance sheet

	Note	**At July 31, 2011** *RMB'000*
Non-current assets		
Property, plant and equipment	*(5)*	44,495
Lease prepayments	*(6)*	3,721
Deferred tax assets	*(7)*	196
		48,412
Current assets		
Inventories	*(8)*	14,474
Trade and other receivables	*(9)*	39,694
Cash and cash equivalents	*(10)*	7,051
		61,219
Current liabilities		
Trade and other payables	*(11)*	45,095
Amounts due to related parties	*(12)*	29,970
Current taxation	*(7)*	886
		75,951
Net current liabilities		(14,732)
NET ASSETS		33,680
CAPITAL AND RESERVES		
Paid-in capital		30,000
Reserves		3,680
TOTAL EQUITY		33,680

(c) Statement of changes in equity

	Paid-in capital *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
At January 18, 2011	–	–	–
Changes in equity for the period:			
Capital contribution	30,000	–	30,000
Profit and total comprehensive income for the period	–	3,680	3,680
At July 31, 2011	30,000	3,680	33,680

(d) Cash flow statement

	Note	For the period from January 18, 2011 (date of establishment) to July 31, 2011
		RMB'000
Operating activities		
Cash used in operations	*(10)*	(13,675)
PRC Corporate Income Tax paid		(860)
Net cash used in operating activities		(14,535)
Investing activities		
Payment for the purchase of property, plant and equipment		(34,663)
Payment for lease prepayments		(3,766)
Interest received		45
Net cash used in investing activities		(38,384)
Financing activities		
Capital contribution from the shareholders		30,000
Advances from related parties		29,970
Net cash generated from financing activities		59,970
Net increase in cash and cash equivalents		7,051
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents at the end of the period	*(10)*	7,051

Notes:

(1) Turnover

	For the period from January 18, 2011 (date of establishment) to July 31, 2011
	RMB'000
Sales of recycled copper products	206,128
Sales of scrap materials	170
	206,298

(2) Other revenue

	For the period from January 18, 2011 (date of establishment) to July 31, 2011 *RMB'000*
VAT refunds	4,505
Interest income	45
	4,550

(3) Profit before taxation

Profit before taxation is arrived at after charging:

	For the period from January 18, 2011 (date of establishment) to July 31, 2011 *RMB'000*
(i) Staff costs	
Salaries, wages and other benefits	1,804
Contributions to defined contribution retirement schemes	213
	2,017
(ii) Other items	
Cost of inventories	202,658
Depreciation	1,217
Amortization of lease prepayments	45

(4) Income tax in the statement of comprehensive income

	For the period from January 18, 2011 (date of establishment) to July 31, 2011 *RMB'000*
Current tax – PRC Corporate Income Tax	
Provision for the period	1,746
Deferred tax	
Origination and reversal of temporary differences	(196)
	1,550

Xiangbei is subject to PRC Corporate Income Tax at the statutory tax rate of 25%.

(5) Property, plant and equipment

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At January 18, 2011 (date of establishment)	–	–	–	–	–
Additions	21,344	23,135	37	1,196	45,712
At July 31, 2011	21,344	23,135	37	1,196	45,712
Accumulated depreciation:					
At January 18, 2011 (date of establishment)	–	–	–	–	–
Charge for the period	408	748	1	60	1,217
At July 31, 2011	408	748	1	60	1,217
Net book value:					
At July 31, 2011	20,936	22,387	36	1,136	44,495

All of Xiangbei's property, plant and equipment is located in the PRC.

(6) Lease prepayments

	At November 2, 2010
	RMB'000
Cost:	
At January 18, 2011 (date of establishment)	–
Additions	3,766
At July 31, 2011	3,766
Accumulated amortization:	
At January 18, 2011 (date of establishment)	–
Charge for the period	45
At July 31, 2011	45
Net book value:	
At July 31, 2011	3,721

The lease prepayments represent cost of the land use rights in respect of land located in the PRC, on which Xiangbei built its production premises and buildings. The land use rights expire in 2056 to 2059.

(7) Income tax in the balance sheet

(i) Current taxation in the balance sheet represents:

	RMB'000
At January 18, 2011 (date of establishment)	–
Provision for PRC Corporate Income Tax for the period	1,746
PRC Corporate Income Tax paid	(860)
At July 31, 2011	886

(ii) Deferred tax assets recognized

Deferred tax assets recognized in the balance sheet and the movements during the period are as follows:

	Provisions and accruals *RMB'000*
At January 18, 2011 (date of establishment)	–
Charged to profit or loss	196
At July 31, 2011	196

(8) Inventories

Inventories in the balance sheet comprise:

	At July 31, 2011 *RMB'000*
Raw materials	3,469
Work in progress	3,164
Finished goods	7,841
	14,474

(9) Trade and other receivables

	At July 31, 2011 *RMB'000*
Trade debtors and bills receivable	35,476
Deposits, prepayments and other receivables	4,218
	39,694

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	At July 31, 2011
	RMB'000
Current	3,942
Less than 30 days past due	14,859
31 to 60 days past due	2,702
61 to 180 days past due	13,973
Amounts past due	31,534
	35,476

(10) Cash and cash equivalents

(i) Cash and cash equivalents in the balance sheet and cash flow statement represent:

	At July 31, 2011
	RMB'000
Cash at bank and in hand	7,051

As at July 31, 2011, all of Xiangbei's cash and cash equivalents are denominated in RMB and are deposited in the banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(ii) Reconciliation of profit before taxation to cash used in operations:

	For the period from January 18, 2011 (date of establishment) to July 31, 2011
	RMB'000
Profit before taxation	5,230
Adjustments for:	
Depreciation	1,217
Amortization of lease prepayments	45
Interest income	(45)
Changes in working capital:	
Increase in inventories	(14,474)
Increase in trade and other receivables	(39,694)
Increase in trade and other payables	34,046
Cash used in operations	(13,675)

(11) Trade and other payables

	At July 31, 2011
	RMB'000
Trade payables	16,599
Receipt in advance	12,955
Payables for the purchase of property, plant and equipment	11,049
VAT payable	3,000
Salaries, wages, bonus and other accrued benefits	728
Others	764
	45,095

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

The ageing analysis of trade payables based on transaction date is analyzed as follows:

	At July 31, 2011
	RMB'000
Within 30 days	13,778
31 to 60 days	2,539
61 to 180 days	282
	16,599

(12) Amounts due to related parties

	At July 31, 2011
	RMB'000
Amount due to Mr. Huang Weiping	17,980
Amount due to Mr. Zhang Huayi	11,990
	29,970

The outstanding balance with these related parties are unsecured, interest free and repayable on demand.

34 Accounting judgments and estimates

Key sources of estimation uncertainty

The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

(i) Impairment

Notes 14 and 30(a) contain information about the assumptions and risk factors relating to the impairment of goodwill and trade debtors. Other key sources of estimation uncertainty are as follows:

In considering the impairment losses that may be required for certain assets of the Group, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less cost to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to its present value, which requires significant judgment relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

Impairment losses for doubtful debts are assessed and provided based on the regular review of ageing analysis and evaluation of collectability by the management. A considerable level of judgment is exercised by the management when assessing the credit worthiness and past collection history of each individual customer.

(ii) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or changes in market conditions. Management reassesses these estimations at the balance sheet dates to ensure inventories are shown at the lower of cost and net realizable value.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives of the assets are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iv) Income tax

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. Management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically by taking into account all changes in tax legislations. Deferred tax assets are recognized for deductible temporary differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets, if any, are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(v) Contingent consideration for acquisitions

Certain of the Group's business acquisitions involved post-acquisition performance-based contingent consideration. Fair values of contingent consideration for acquisitions, as of their respective acquisition dates form part of the consideration transferred in exchange for the acquired business. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgment on time value of money. Contingent consideration shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognized in the profit or loss.

35 Subsidiaries

The statutory financial statements of the companies comprising the Group which were subject to audit during the Relevant Periods, were either prepared in accordance with HKFRSs issued by the HKICPA or PRC GAAP issued by the Ministry of Finance of the PRC. These financial statements for the Relevant Periods were audited by the respective statutory auditors as indicated below:

Name of company	Financial period	Statutory auditors
True Excel Holdings Limited	For the period from August 12, 2010 (date of incorporation) to December 31, 2011	KPMG
	For the year ended December 31, 2012	KPMG
Mianyang Jinxin Copper Co., Ltd.* 綿陽金鑫銅業有限公司	For the year ended December 31, 2010	Sichuan Lijiu Accounting Firm Co., Ltd.* 四川力久會計師事務所有限責任公司
	For the years ended December 31, 2011 and 2012	Sichuan Fule Accounting Firm Co., Ltd.* 四川富樂會計師事務所有限責任公司
Mianyang Tongxin Copper Co., Ltd.* 綿陽銅鑫銅業有限公司	For the period from June 1, 2011 (date of establishment) to December 31, 2011	Sichuan Fule Accounting Firm Co., Ltd.* 四川富樂會計師事務所有限責任公司
	For the year ended December 31, 2012	Sichuan Fule Accounting Firm Co., Ltd.* 四川富樂會計師事務所有限責任公司
Hunan Yinlian Xiangbei Copper Co., Ltd.* 湖南銀聯湘北銅業有限公司	For the period from January 18, 2011 (date of establishment) to December 31, 2011	Hunan Jinxin Certified Public Accountants Co., Ltd.* 湖南金信會計師事務所有限公司
	For the year ended December 31, 2012	Hunan Jinxin Certified Public Accountants Co., Ltd.* 湖南金信會計師事務所有限公司
Alpha Legend Holdings Limited	For the period from June 21, 2011 (date of incorporation) to December 31, 2012	KPMG
Alpha Business Investments Limited	For the period from October 14, 2011 (date of incorporation) to December 31, 2012	KPMG
Sichuan Baohe Xinshiji Cable Co., Ltd.* 四川保和新世紀線纜有限公司	For the period from September 19, 2012 (date of establishment) to December 31, 2012	Sichuan Fule Accounting Firm Co., Ltd.* 四川富樂會計師事務所有限責任公司
Mianyang Baohe Taiyue Communications Cable Co., Ltd.* 綿陽保和泰越通信線纜有限公司	For the period from August 13, 2012 (date of establishment) to December 31, 2012	Sichuan Fule Accounting Firm Co., Ltd.* 四川富樂會計師事務所有限責任公司

* The English translation of the above companies and the statutory auditors' names are for reference only. Their official names are in Chinese.

36 Financial information of the Company

	Note	**At September 30, 2013** *RMB'000*
Non-current assets		
Investments in subsidiaries		298,322
Current assets		
Amount due from a subsidiary	*36(a)*	883
Cash at bank		581
		1,464
Current liabilities		
Accrued expenses and other payables		12,101
Amount due to a director	*36(b)*	8,726
Amount due to a subsidiary	*36(a)*	641
		21,468
Net current liabilities		(20,004)
NET ASSETS		278,318
CAPITAL AND RESERVES		
Share capital		827
Reserves	*36(c)*	277,491
TOTAL EQUITY		278,318

(a) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries were unsecured, interest-free and repayable on demand.

(b) Amount due to a director

The amount due to a director was unsecured, interest-free and repayable on demand.

(c) Reserves

At September 30, 2013, the reserves of the Company comprised of capital reserve, exchange reserve and accumulated loss amounting to RMB297,495,000, RMB207,000 and RMB20,211,000 respectively.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of this Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*	January 1, 2014
Amendments to IAS 32, *Financial instruments: Presentation Offsetting financial assets and financial liabilities*	January 1, 2014
Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*	January 1, 2014
Amendments to IAS 39, *Notation of derivatives and continuation of hedge accounting*	January 1, 2014
IFRIC 21, *Levies*	January 1, 2014
IFRS 9, *Financial instruments*	January 1, 2015
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: Disclosures – Mandatory effective date and transition disclosures*	January 1, 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

C SUBSEQUENT EVENTS

The following significant events took place subsequent to September 30, 2013:

On October 16, 2013, Mr. Yu exercised the options granted under the Yu Share Option Agreement in full. The total consideration payable for the exercise was RMB64,000,000 and was fully settled by way of setting off an equivalent amount due to Mr. Yu from the Group. Pursuant to the exercise of the options, an additional 1,013,000 Shares were allotted on the same day to Epoch Keen Limited, an entity wholly-owned by Mr. Yu, increasing Epoch Keen Limited's shareholding from 57.06% to 60.93%.

Pursuant to a resolution of the Company's shareholders passed on January 28, 2014, subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of shares pursuant to the global offering set out in the section "History, Reorganization and Corporate Structure", the directors were authorized to allot and issue a total of 1,562,082,080 shares credited as fully paid at par to the holders of the shares on the register of members of the Company on January 28, 2014 (or as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of Share) by way of capitalization of the sum of HK$156,208,000 standing to the credit of the share premium account of the Company and the Shares to be allotted and issued as such shall rank *pari passu* in all respects with existing issued shares.

D SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to September 30, 2013. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to September 30, 2013.

Yours faithfully,

KPMG

Certified Public Accountants
Hong Kong