CHINA METAL

CHINA METAL RECYCLING (HOLDINGS) LIMITED
中國金屬再生資源(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00773)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2012 amounted to approximately HK$37,319.0 million (six months ended 30 June 2011: HK$25,335.4 million), representing an increase of approximately 47.3% compared to that of the same period last year.
- Profit attributable to owners of the Company for the six months ended 30 June 2012 amounted to approximately HK$1,088.3 million, representing an increase of approximately 4.3% over HK$1,043.1 million in the same period last year.
- Basic earnings per share attributable to owners of the Company for the six months ended 30 June 2012 amounted to HK$0.95, representing an increase of approximately 3.3% over HK$0.92 in the same period last year.

INTERIM RESULTS

The board of directors (the "Board") of China Metal Recycling (Holdings) Limited 中國金屬再生資源(控股)有限公司 (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011, which have been reviewed by the Company's audit committee and external auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
	NOTES	**2012**	2011
		HK$'000	*HK$'000*
		(unaudited)	*(unaudited)*
Revenue	3	**37,319,014**	25,335,413
Cost of sales		**(35,989,982)**	(24,206,811)
Gross profit		**1,329,032**	1,128,602
Other income and gains		**32,978**	59,050
Distribution and selling expenses		**(27,917)**	(17,130)
Administrative expenses		**(147,266)**	(133,500)
Net gain on derivative financial instruments		**95,105**	197,696
Finance costs		**(156,208)**	(113,152)
Share of profit (loss) of associates		**926**	(3,974)
Profit before taxation		**1,126,650**	1,117,592
Income tax expense	4	**(36,370)**	(65,347)
Profit for the period	5	**1,090,280**	1,052,245
Other comprehensive income			
Exchange differences arising on translation			
- subsidiaries		**—**	48,517
- associates		**—**	1,514
Other comprehensive income for the period		**—**	50,031
Total comprehensive income for the period		**1,090,280**	1,102,276
Profit for the period attributable to:			
Owners of the Company		**1,088,343**	1,043,076
Non-controlling interests		**1,937**	9,169
		1,090,280	1,052,245

	NOTE	Six months ended 30 June 2012	2011
		HK$'000	*HK$'000*
		(unaudited)	*(unaudited)*
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,088,343**	1,091,079
Non-controlling interests		**1,937**	11,197
		1,090,280	1,102,276
		HK$	*HK$*
Earnings per share	7		
- basic		**0.95**	0.92
- diluted		**0.95**	0.91

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	NOTE	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**460,252**	454,205
Prepaid lease payments - non-current portion		**201,775**	199,938
Interests in associates		**305,512**	304,586
Deposits paid for acquisition of property, plant and equipment		**107,228**	108,266
Deposits paid for land use rights		**162,830**	137,026
Fixed deposits		**60,976**	60,976
		1,298,573	1,264,997
CURRENT ASSETS			
Inventories		**2,998,367**	2,640,496
Trade and other receivables and deposits	8	**12,996,124**	8,042,864
Bills receivable		**2,104,217**	2,303,746
Prepaid lease payments - current portion		**10,437**	10,243
Deposit paid to a related party		**291**	264
Amount due from an associate		**40,285**	36,585
Derivative financial instruments		**134,311**	94,480
Tax recoverable		**2,301**	3,342
Pledged bank deposits		**1,923,481**	1,334,043
Restricted deposits		**600,415**	220,635
Fixed deposits		**72,452**	109,817
Bank balances and cash		**1,729,247**	1,518,945
		22,611,928	16,315,460

	NOTES	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	9	**5,465,549**	2,841,311
Dividend payable		**365,771**	—
Bills payable	9	**3,365,069**	2,418,230
Amounts due to non-controlling shareholders of subsidiaries		**1,960**	23,911
Amount due to an associate		**28,022**	28,080
Discounted bills		**1,565,132**	986,593
Derivative financial instruments		**129,906**	86,663
Bank borrowings		**5,311,735**	4,300,320
Tax payable		**88,539**	68,222
		16,321,683	10,753,330
NET CURRENT ASSETS		**6,290,245**	5,562,130
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,588,818**	6,827,127
NON-CURRENT LIABILITY			
Bank borrowings		**365,854**	365,854
NET ASSETS		**7,222,964**	6,461,273
CAPITAL AND RESERVES			
Share capital		**114**	114
Reserves		**7,098,694**	6,351,838
Equity attributable to owners of the Company		**7,098,808**	6,351,952
Non-controlling interests		**124,156**	109,321
TOTAL EQUITY		**7,222,964**	6,461,273

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA:

- amendments to HKFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets; and

- amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets.

While the application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements, the directors of the Company considers that the application of amendments to HKFRS 7 may increase the disclosure requirements for transactions involving transfers of financial assets in its 2012 annual financial statements. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

3. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the principal business of recycling, processing and marketing of metals, including ferrous and non-ferrous metals, which are the raw materials for a wide range of metallic end-products. The Group collects scrap steel, scrap copper and other scrap metals and processes them using advanced equipment to produce quality recycled metals. From time to time, the Group also sells products collected directly to customers when the quality of such products meets certain required standards. Besides, the Group is also engaged in the recycling and marketing of other materials, other than metals. The revenue can be broadly classified into three categories:

(i) ferrous metals, namely iron and steel;

(ii) non-ferrous metals, including copper, aluminium, etc.; and

(iii) other materials, including ores, scrap plastics, etc..

The board of directors of the Company regularly reviews revenue analysis by the principal products processed/sold by the Group and the Group's consolidated profit for the period for the purposes of resource allocation and performance assessment. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented.

The following is an analysis of the Group's revenue by principal products for the period under review:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Ferrous metals	**5,500,262**	4,724,841
Non-ferrous metals	**30,391,652**	18,877,522
Other materials	**1,427,100**	1,733,050
	37,319,014	25,335,413

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
The charge comprises:		
PRC Enterprise Income Tax		
Current period	**35,816**	63,086
Underprovision in prior year	**554**	2,261
	36,370	65,347

No provision for Hong Kong Profits Tax has been made as the Group's subsidiaries in Hong Kong either had no assessable profit or incurred tax losses for both periods.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Under Decree-Law no. 58/99/M, Central Steel (Macao Commercial Offshore) Limited, a Macau subsidiary incorporated under that Law (called "58/99/M Company"), is exempted from Macau Complementary tax (Macau income tax) as the 58/99/M Company does not sell its products to any Macau resident company during both periods.

At 30 June 2012, the aggregate amount of temporary differences associated with undistributed earnings of the subsidiaries in the PRC was HK$450,751,000 (31 December 2011: HK$433,753,000). No deferred tax liability to the extent of HK$22,538,000 (31 December 2011: HK$21,688,000) has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**5,559**	4,718
Allowance for inventories (note)	**473,814**	—
Depreciation of property, plant and equipment	**20,212**	18,294
Depreciation of investment properties	**—**	6
Operating lease rentals paid in respect of rented premises	**13,635**	14,557
Gain on disposal of investment properties and prepaid lease payments	**—**	(12,964)
(Gain) loss on disposal of property, plant and equipment	**(232)**	236
Interest income	**(26,654)**	(20,992)
Net exchange gain	**(914)**	(22,360)

Note: During the current period, the Group made an allowance for its inventories with reference to the subsequent selling price and market price trend and included it in cost of sales. The related inventories include both ferrous metals and non-ferrous metals.

6. DIVIDEND

During the current interim period, a final dividend of HK32 cents per share in respect of the year ended 31 December 2011 (six months ended 30 June 2011: HK16 cents per share in respect of the year ended 31 December 2010) was declared. The aggregate amount of the final dividend recognised as distribution in the current interim period amounted to HK$365,771,000 (six months ended 30 June 2011: HK$182,303,000).

Subsequent to the end of the reporting period, cash amounted to HK$173,497,000 was paid out and 29,995,930 ordinary shares of HK$0.001 each at an issue price of HK$6.41 per ordinary share were issued and allotted on 13 July 2012 to the shareholders as 2011 final cash dividend and script dividend, respectively.

The directors resolved that no interim dividend will be paid for the period (six months ended 30 June 2011: Nil).

7. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Earnings:		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**1,088,343**	1,043,076
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,142,202,650**	1,138,767,566
Effect of diluted potential ordinary shares as a result of the share options granted under the Pre-IPO Scheme and the Post-IPO Scheme	**5,615,807**	12,080,080
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,147,818,457**	1,150,847,646

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect to the Company's earnings per share during the six months ended 30 June 2012 and 30 June 2011 because the exercise prices of these Company's share options were higher than the average market prices of the Company's shares during both periods.

8. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group generally allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of the Group's trade receivables, presented based on the invoice date at the end of the reporting period, is as follows:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
Trade receivables:		
0 - 30 days	**3,993,782**	1,150,953
31 - 60 days	**2,645,739**	1,084,236
61 - 90 days	**2,389,331**	1,259,063
91 - 120 days	**1,413,941**	1,935,884
121 - 180 days	**1,737**	1,479,352
Over 180 days	**11,616**	33
	10,456,146	6,909,521
Other receivables and deposits:		
Deposits and prepayments	**38,595**	34,439
Deposits paid for purchase of raw materials	**2,145,974**	757,355
Other taxes recoverable	**344,703**	329,228
Others	**10,706**	12,321
	2,539,978	1,133,343
	12,996,124	8,042,864

9. TRADE AND OTHER PAYABLES/BILLS PAYABLE

The aged analysis of the Group's trade payables, presented based on the invoice date at the end of the reporting period, is as follows:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
Trade payables:		
0 - 30 days	**3,735,391**	995,844
31 - 60 days	**694,252**	1,023,810
61 - 90 days	**24,918**	410,858
91 - 120 days	**682**	395
121 - 150 days	**9**	9,808
Over 150 days	**33,105**	742
	4,488,357	2,441,457
Other payables:		
Accruals	**62,455**	79,454
Consideration payable for acquisition of additional interest in a subsidiary	**3,537**	3,537
Deposits received from customers	**788,087**	149,453
Other taxes payable	**23,053**	8,972
Amounts payable to brokers (note)	**67,628**	127,274
Others	**32,432**	31,164
	977,192	399,854
	5,465,549	2,841,311

Note: Amounts payable to brokers are arising from the Group's margin accounts for its derivative instruments. Out of the amount, HK$67,628,000 (31 December 2011: HK$103,305,000) is unsecured and interest bearing at London Interbank Offered Rate plus a spread, ranging from 1% to 2%. At 31 December, 2011, the remaining balance of HK$23,969,000 was interest-free and secured by inventories with an aggregate carrying amount of HK$106,582,000.

All the bills payable of the Group are aged within 360 days and not yet due at the end of the reporting period. Bills payable are secured by pledged bank deposits of HK$898,357,000 (31 December 2011: HK$335,934,000) and bills receivable of HK$60,976,000 (31 December 2011: HK$181,646,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business Overview

Despite the fluctuation in metal prices during the first half of 2012, the Group managed to achieve growth in both revenue and profit attributable to owners of the Company for the six months ended 30 June 2012 (the "Period") of 47.3% and 4.3% respectively when compared with the six months ended 30 June 2011 (the "Last Period"), as a result of the increase in penetration of scrap metals usage in China, expansion of our regional coverage and increased market share. Rising operating costs and the depressed market condition help to speed up the squeeze of the small players. Leveraging on the Group's scale of operation, financing and other competitive advantages, the Group has been gaining additional market share. Sales volume of ferrous metals for the Period was approximately 1.34 million tons, an increase of approximately 21.8% when compared with the Last Period while sales volume of non-ferrous metals for the Period was approximately 526,000 tons, an increase of approximately 69.7% when compared with the Last Period. Other materials revenue decreased to HK$1,427.1 million for the Period, representing a decrease of 17.7% as compared with the Last Period.

China's steel product production during the Period was approximately 467 million tons, an increase of approximately 6% when compared with the Last Period. China's copper semis production during the Period was approximately 5.9 million tons, an increase of approximately 13% when compared with the Last Period. Although the country's steel production had entered a slow-growth stage, the penetration of scrap metals consumption in China during the Period was still at a relatively low level when compared with the figures in developed countries. Therefore, there exists a great potential for increasing penetration of recycled metals in China.

For the Eastern China operation, benefiting from the expanding operations in Jiangyin city and Ningbo city and with the benefit of being one of the best metal recycling markets in China, business flow has been stable in the region. The Group has continued its growth momentum in the revenue of Eastern China during the Period. Jiangyin port has been the regional logistic and distribution hub supporting the Group's recycling base in the Eastern China region and connecting its operations in other regions.

For the Northern China operation, business flow has continued to increase as a result of the smooth execution of the operation and the formation of a new joint venture. The operation of the joint venture with 天津鋼管集團股份有限公司(Tianjin Pipe (Group) Corporation) and 11 regional recyclers at Tianjin has continued to ramp up. In addition, the Group formed a 55%-owned joint venture (the "Baotou JV") with 包頭市利吉隆貿易有限責任公司(Baotou Lijilong Trading Company Limited) (together with its group companies "Lijilong Group") in February 2012. Leveraging off the rich natural resources in Inner Mongolia, Baotou City is one of the major heavy industrial cities in Northern China and is also a city with great supply and demand of scrap metals. Lijilong Group is one of the leading metal recyclers in Baotou City which was designed to have an annual capacity of 250,000 tons and, it has a long operating history in the region and has established a base of quality customers such as 包頭鋼鐵(集團)有限責任公司 (Baotou Iron and Steel Group Co. Ltd) and 內蒙古北方重工業集團有限公司 (Inner Mongolia North Heavy Industries Group Co. Ltd) and an extensive suppliers' network. It also has a motor vehicle dismantling license. The Baotou JV has a 500,000 tons capacity. Both initiatives are going to enhance the Group's bargaining and managing power in the Northern China region.

For the Southern China operation, business has been stable. On 28 June 2012, the Group entered into an agreement with 廣東省金屬回收公司(Guangdong Metal Recycling Corporation) ("GDMRC"), which is a principal subsidiary of 廣東物資集團公司(Guangdong Materials Group Corporation) ("GDWZ"), to establish a 40%-owned cooperative joint venture (the "Guangdong Cooperative JV") to engage in the business of scrap motor vehicles dismantling and auto parts trading with an annual capacity of 1 million units in Guangdong Province in Southern China, the region with motor vehicles reserves of approximately 20 million units by the end of 2011. The Guangdong Cooperative JV will create a "Strong-Strong" alliance by combining the competitive advantages of both JV partners. With the existing licenses in the field of motor vehicles dismantling and well established collection networks in Guangdong Province of GDWZ and GDMRC; and possession of advanced machinery and management experience of the Group, the Guangdong Cooperative JV will develop into one of the largest platforms in motor vehicles dismantling and auto parts trading in the region. The replacement cycle of motor vehicles in the coming years will provide ample development room for the Guangdong Cooperative JV as well as the Group. The Zhongshan site operation has been ramping up and expanding our collection coverage.

For the Central China operation, the Wuhan site has been ramping up. The Group has been expanding its regional suppliers network to meet the demand from one of the major customers, 武漢鋼鐵（集團）公司 (Wuhan Iron and Steel (Group) Corporation).

The Group's future development strategy is to further enhance our competitive advantages to 1) continue to strengthen our strategic national network and product categories in order to establish an integrated metal recycling system that combines the recycling and dismantling of scrap metals, electrical appliances, motor vehicles and vessels, so as to fully support the State Government's target of establishing a comprehensive recycling system under the 12th Five-Year Plan; 2) develop a diversified sales and procurement network to enlarge our market share; 3) continue to invest in advanced machineries and environmental protection facilities to ensure operational efficiency and economies of scale; and 4) increase investment in our staff to enhance management quality and strengthen our overall operational and business integration capability. The strategy of combining both organic and inorganic approaches of corporate development to maintain our relative first-mover advantage will continue to reinforce our leadership position in the metal recycling industry in China.

Looking forward into the second half of 2012, though facing uncertainties in the macroeconomic conditions globally, the Group is confident of continuing the volume growth momentum of the first half of 2012. With contributions from its multiple regional operations, the Group is confident of delivering more than spectacular returns to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Period was HK$37,319.0 million (Last Period: HK$25,335.4 million), representing an increase of 47.3% as compared to that for the Last Period. Increase in the Group's revenue was mainly attributable to the increase in the sales of both ferrous and non-ferrous metals during the Period. The Group's business from various regions has contributed to the increase during the Period.

Gross Profit

Gross profit of the Group for the Period was HK$1,329.0 million (Last Period: HK$1,128.6 million), representing an increase of 17.8% as compared to that for the Last Period. Gross profit margin of the Group for the Period was 3.6% (Last Period: 4.5%), representing a decrease of 0.9%. The decrease was mainly resulting from the inventory allowances of HK$473.8 million made with reference to the subsequent selling price and market price trend.

Other Income and gains

Other income and gains for the Period, including mainly interest income and exchange gain, decreased by 44.2% from HK$59.1 million for the Last Period to HK$33.0 million. There was a gain on disposal of investment properties and the relevant prepaid lease payments of HK$13.0 million during the Last Period where there was no such gain for the Period.

Distribution and Selling Expenses

Distribution and selling expenses for the Period amounted to HK$27.9 million, representing an increase of 63.0% as compared to that for the Last Period. The increase was mainly attributable to the increase in volume of our products sold.

Administrative Expenses

Administrative expenses including staff salaries, bank charges, depreciation expenses and other general administration expenses for the Period amounted to HK$147.3 million, representing an increase of 10.3% over that of HK$133.5 million for the Last Period.

The increase was mainly attributable to the increase in various expenses, mainly bank charges incurred by the Group when expanding its operations.

Net Gain on Derivative Financial Instruments

Net gain on derivative financial instruments represents the net gain arising from the changes in fair value of the metal commodity future contracts used to hedge against the Group's purchases and inventory. Metal commodity prices have been volatile during the Period and resulted in net gain on those commodity future contracts used to hedge against the corresponding spot purchase or inventory when metal commodity prices decrease during the hedged period.

Finance Costs

Finance costs increased by 38.1% from HK$113.2 million for the Last Period to HK$156.2 million for the Period. The finance costs for the Period mainly arose from trade financing from banks for working capital purposes.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the Period grew by 4.3% to HK$1,088.3 million as compared with HK$1,043.1 million for the Last Period.

Key Financial Ratios

The following table sets forth certain of our financial ratios as at the date for the periods indicated.

	At 30 June 2012	At 31 December 2011
Current ratio	**1.4**	1.5
Gearing ratio (%)	**30.3**	32.2

	For the six months ended 30 June	
	2012	2011
Inventory turnover days	**14**	14
Debtors' turnover days	**53**	51
Creditors' turnover days	**32**	28

Working Capital

The inventory turnover of the Group was 14 days for the Period as compared to 14 days for the Last Period. In order to better manage the commodity price risk during the Period, the inventory turnover period was maintaining at a low level.

The Group's debtors' turnover (including both trade debtors and bills receivable) was 53 days for the Period as compared to 51 days for the Last Period. The Group generally allows average credit periods of 30 to 60 days and 30 to 90 days to its ferrous and non-ferrous customers, respectively.

The Group's creditors' turnover (including both trade payables and bills payable) was 32 days for the Period as compared to 28 days for the Last Period. Credit periods granted by some of the Group's major suppliers increased to 60 days.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2012, the Group has net current assets of HK$6,290.2 million (31 December 2011: HK$5,562.1 million), of which cash and bank deposits were HK$4,325.6 million (31 December 2011: HK$3,183.4 million).

Total borrowings as at 30 June 2012, including discounted bills, were HK$7,242.7 million (31 December 2011: HK$5,652.8 million), of which HK$6,876.9 million are repayable within one year (31 December 2011: HK$5,286.9 million). Such borrowings are mainly denominated in Renminbi, United States ("US") dollars and Hong Kong dollars. They were mainly used to finance the purchases of the Group.

The Group's gearing ratio as at 30 June 2012 (total borrowings divided by total assets) was 30.3% (31 December 2011: 32.2%).

The Group's transactions and the monetary assets are principally denominated in Renminbi, Hong Kong dollars and US dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the Period.

The Group adopts centralised financing and treasury policies in order to ensure the Group's funding is utilised efficiently. Conservative approach is adopted in monitoring foreign exchange exposure and interest rate risk. Forward contracts were used to hedge the foreign currency exposure in trading activities when it was considered appropriate.

The Group's liquidity position remains strong and the Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

Capital Expenditure and Capital Commitments

In order to enhance production capacity, the Group invested approximately HK$60.3 million during the Period (Last Period: HK$87.1 million) in the acquisition of new fixed assets. These mainly represented the acquisition and deposits paid for land use rights and machineries for various plants in China.

As at 30 June 2012, the Group made capital expenditure commitments of approximately HK$149.7 million (31 December 2011: HK$143.9 million) which were contracted but not provided for in the financial statements. These commitments were mainly related to the acquisition of land use rights in Jiangsu.

Charges on Group Assets

As at 30 June 2012, the Group's banking facilities were mainly collateralised by certain bank deposits amounted to HK$1,923.5 million (31 December 2011: HK$1,334.0 million), bills receivable amounted to HK$1,857.1 million (31 December 2011: HK$1,500.3 million) and inventories amounted to HK$312.4 million (31 December 2011: HK$534.5 million).

Foreign Exchange Risk Management

Most of the sales of the Group are settled in Renminbi, which is not freely convertible into foreign currencies. The fluctuation of Renminbi during the Period did not have any adverse effect on the Group's results. Besides, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instruments for hedging purposes when considered appropriate.

Contingent Liabilities

As at 30 June 2012 and 31 December 2011, the Group had no material contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2012, the Group had a workforce of more than 600 people. Salaries of employees are maintained at competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group has share option schemes whereby employees of the Group are granted options to acquire shares in the Company.

Good relationship has been maintained between the Group and its employees. The Group also provides internal training to staff and awards bonuses based on staff performance and profits of the Group.

INTERIM DIVIDEND

The Board resolved not to pay any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions of the directors, senior management and relevant employees (who, because of their office in the Group, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) of the Group (the "Own Code") on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Having made specific enquiry with all directors of the Company, all the directors have confirmed that they have complied with the required standard as set out in the Model Code and the Own Code throughout the six months ended 30 June 2012. No incident of non-compliance of the Own Code during the period by the senior management and relevant employees was noted by the Company.

CORPORATE GOVERNANCE CODE

The Company is committed to maintain high standards of corporate governance in the interests of its shareholders. Throughout the six months ended 30 June 2012, the Company followed the principles and complied with all code provisions under the Code on Corporate Governance Practices/Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules save for the deviation disclosed below.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Chun Chi Wai currently holds both the offices of Chairman and Chief Executive Officer of the Company. The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority within the Board as all major decisions are made in consultation with members of the Board as well as the senior management of the Company. Besides, this arrangement also provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the interim results for the six months ended 30 June 2012. All members of the audit committee are independent non-executive directors of the Company, namely Mr. Chan Kam Hung (Chairman of the committee), Mr. Leung Chong Shun and Mr. Yan Qi Ping.

The interim financial statements have been reviewed by the Company's auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity".

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners, bankers and auditor for their support to the Group throughout the period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinametalrecycle.com and www.cmr773.com). The Company's interim report for the six months ended 30 June 2012 will be despatched to the shareholders of the Company and published on the above websites in due course.

For and on behalf of the Board
China Metal Recycling (Holdings) Limited
中國金屬再生資源(控股)有限公司
Chun Chi Wai
Chairman and Chief Executive Officer

30 August 2012

As at the date of this announcement, the executive Directors of the Company are Mr. Chun Chi Wai, Mr. Fung Ka Lun and Mr. Jiang Yan Zhang; the non-executive Director is Ms. Lai Wun Yin; and the independent non-executive Directors are Mr. Chan Kam Hung, Mr. Leung Chong Shun and Mr. Yan Qi Ping.