



China Metal Resources Utilization Limited 中國金屬資源利用有限公司

(a company incorporated under the laws of Cayman Islands with limited liability)
(根據開曼群島法律註冊成立的有限公司)

Stock Code 股份代號: 1636



INTERIM REPORT
中期報告

2015



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This interim report, in both English and Chinese versions, is available on the Company's website at <http://www.cmru.com.cn/>. Shareholders who have chosen to receive the corporate communications of the Company (the "**Corporate Communications**") in either the English version or the Chinese version may request for a copy in the other language. The interim report in the requested language will be sent free of charge by the Company upon request.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to change their choice of language(s) of Corporate Communications by notice in writing to the Hong Kong Branch Share Registrar of the Company with Computershare Hong Kong Investor Services Ltd. at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

EXECUTIVE DIRECTORS

Mr. Yu Jianqiu
Mr. Liu Hanjiu
Mr. Kwong Wai Sun Wilson
Mr. Huang Weiping
Ms. Zhu Yufen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Ting Bun Denny
Mr. Pan Liansheng
Ms. Liu Rong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

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China

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COMPANY SECRETARY

Mr. Cheung Ying Kwan

AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law
Herbert Smith Freehills
As to PRC law
Chen & Co Law Firm

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Mr. Lee Ting Bun Denny (*Chairperson*)
Mr. Pan Liansheng
Ms. Liu Rong

REMUNERATION COMMITTEE

Mr. Pan Liangsheng (*Chairperson*)
Mr. Lee Ting Bun Denny
Ms. Liu Rong

NOMINATION COMMITTEE

Ms. Liu Rong (*Chairperson*)
Mr. Lee Ting Bun Denny
Mr. Pan Liansheng

AUTHORIZED REPRESENTATIVES PURSUANT TO THE LISTING RULES

Mr. Kwong Wai Sun Wilson
Mr. Cheung Ying Kwan

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
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Cayman Islands

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Computershare Hong Kong Investor
Services Limited
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COMPLIANCE ADVISER

Fortune Financial Capital Limited

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited
Standard Chartered Bank (Hong Kong)
Limited
Industrial and Commercial Bank of China
Mianyang Commercial Bank
Huarong Xiangjiang Bank

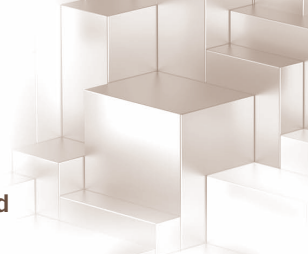
COMPANY WEBSITE

<http://www.cmru.com.cn>

STOCK CODE

1636

Financial Highlights



	For the six months ended 30 June		
	2015 RMB'000	2014 RMB'000	Change
Revenue	996,363	1,758,531	-43.3%
Net (loss)/profit attributable to the equity shareholders of the Company	(83,607)	122,191	-168.4%
(Loss)/earnings per share	RMB(0.04)	RMB0.06	-166.7%
	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000	Change
Cash and cash equivalents	56,695	145,765	-61.1%
Total assets	2,676,855	2,408,196	+11.2%
Total liabilities	1,513,850	1,134,893	+33.4%
Total equity	1,163,005	1,273,303	-8.6%

	For the six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Net (loss)/profit margin	(8.6%)	6.9%
Return on equity	(13.8%)	27.6%
	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Inventory turnover days	63.1 days	28.8 days
Receivables turnover days	139.9 days	67.4 days
Payables turnover days	10.3 days	11.0 days
Current ratio	1.8	2.2
Quick ratio	1.5	1.6
Debt to equity ratio*	75.8%	58.4%
Net debt to equity ratio#	71.0%	46.9%

* Total interest-bearing debts/Total equity.

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

BUSINESS REVIEW

In the first half of 2015, the continued slowdown in China's economic growth has resulted in a drop in demand for copper products. In addition, there have been several instances of sharp movements in copper prices during this period which resulted in some of our customers taking a wait-and-see approach and deferred the timing of procurement or even shrank their purchase order sizes with the hope of buying at lower prices later. Furthermore, liquidity in the banking and financial markets continued to be tight in the first half of 2015 which weakened the ability of our customers to settle trade balances within their credit periods, consequently we had to reduce sales to certain of our customers in order to minimize credit risks. As a result of these factors, the Group recorded a decrease in sales volume in the first half of 2015 as compared to the first half of 2014, which translated into a decrease in revenue by 43.3% as compared to the first half of 2014 and, taking into account of a significant increase in finance costs, a net loss attributable to the shareholders of the Company of RMB83.6 million for the first half of 2015.

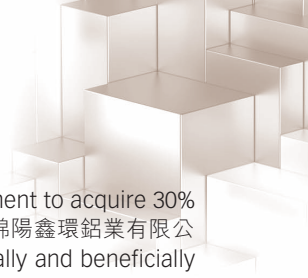
Notwithstanding the challenging operating environment, we continued to strive to build our business to meet our long term growth objectives.

In January and February 2015, the Company completed the issuance of warrants to 10 suppliers of scrap copper. In return, the suppliers, in aggregate, agreed to supply a target of 79,500 tons of copper scrap raw materials to the Group at discount prices. The arrangements were to encourage these suppliers to achieve the targeted amount of raw materials supply and to maintain continued cooperative relationships with the Group.

In April 2015, in order to raise funds to strengthen its working capital and to finance the Group's future development and expansion, the Company completed the issuance of convertible bonds equivalent to approximately RMB200 million to Huarong (HK) International Holdings Limited.

In May 2015, the Company completed an acquisition of 30% interest in Sichuan Baohe Fushan Resources Recycling Development Co., Ltd. (四川省保和富山再生資源開發有限公司) ("Baohe Fushan"). The Company expects the acquisition will provide a platform for potential vertical expansion of the Group into the upstream scrap metal business in the future. The acquisition of Baohe Fushan, which operates the industrial park that accommodates the Group's key subsidiaries, is expected to benefit the Group by securing land in the industrial park for future expansion and diversifying its business to broaden its revenue sources.

Management Discussion and Analysis



In August 2015, the Company entered into an equity transfer agreement to acquire 30% equity interest in Mianyang Xinhuan Aluminium Company Limited (綿陽鑫環鋁業有限公司) (“Xinhuan Aluminium”). Upon Completion, the Company will legally and beneficially hold 30% equity interest of Xinhuan Aluminium, with the right to appoint two out of the three members of the board of directors of Xinhuan Aluminium. Accordingly, Xinhuan Aluminium will become an indirect non-wholly owned subsidiary of the Company. Xinhuan Aluminium will focus on the sales and production of standardized aluminium ingots from scrap aluminium as raw materials and trading standardized aluminium ingots. By expanding into the aluminium business, the Company expects to enlarge its sales volume, provide a wider product portfolio to the existing and potential customers and leverage the synergy effect by making use of the Company’s existing sources of raw materials, logistic system and technical know-how. As at the date of this report, the acquisition has not been completed. Please refer to the announcement of the Company dated 5 August 2015 for further details.

FUTURE PROSPECTS/OUTLOOK

To stimulate the economy to maintain its targeted growth, the PRC government has cut interest rates several times, reduced bank reserve requirements and taken other measures to ease bank lending since November last year. The PRC government has also increased fiscal investments such as, among others, power grid networks and railway constructions to boost economic growth. We are cautiously optimistic that all of these measures will improve the PRC economy going forward. As such, we will continue to actively seek acquisition opportunities along the supply chain of our industry and continue to grow our business to create value to our shareholders.

HUMAN RESOURCES

As at 30 June 2015, the Group had a total of approximately 923 employees. The Group’s staff costs for the six months ended 30 June 2015 amounted to approximately RMB21.1 million. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and the Group’s performance. The Group is committed to nurturing a learning and sharing culture across its organization. Heavy emphasis is placed on the training and development of individual employees and team building, as the Group’s success is dependent on the contribution of all functional divisions comprising skilled and motivated professionals. The Group is also committed to social responsibility by employing disabled staff and providing appropriate working conditions and protection to them.

FINANCIAL REVIEW

REVENUE

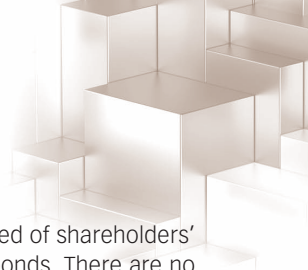
Our revenue represents the fair value of consideration received or receivable for sales of goods and services in the ordinary course of business. Revenue is shown net-of-VAT and other taxes, returns and discounts after eliminating inter-company sales.

The following table sets forth the analysis of our revenue:

	For the six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Sales of recycled copper products	946,178	1,564,772
Sales of power transmission and distribution cables	25,830	137,319
Sales of communication cables	7,626	44,523
Sales of scrap materials	15,708	10,298
Contract manufacturing income	1,021	1,619
	996,363	1,758,531

Revenue for the six months ended 30 June 2015 amounted to RMB996.4 million, representing a decrease of 43.3% from RMB1,758.5 million for the six months ended 30 June 2014.

Revenue from recycled copper products amounted to RMB946.2 million for the six months ended 30 June 2015, representing a drop of 39.5% from RMB1,564.8 million for the six months ended 30 June 2014, reflecting mainly a decrease of 31.9% in the sales volume of recycled copper products from 37,170 metric tons for the six months ended 30 June 2014 to 25,329 metric tons for the six months ended 30 June 2015. Revenue from sales of power transmission and distribution cables amounted to RMB25.8 million for the six months ended 30 June 2015, representing a decrease of 81.2% from RMB137.3 million for the six months ended 30 June 2014. Revenue from sales of communication cables amounted to RMB7.6 million for the six months ended 30 June 2015, representing a decrease of 82.9% from RMB44.5 million for the six months ended 30 June 2014. The decreases were principally due to the slowdown in economic growth in China, which resulted in a drop in the demand for the Group's copper products.



CAPITAL STRUCTURE

As at 30 June 2015, the capital structure of the Group mainly consisted of shareholders' equity, bank and other borrowings, finance leases and convertible bonds. There are no material seasonality of borrowing requirements for the Group.

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

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

	As at 30 June 2015		As at 31 December 2014	
	Weighted average effective interest rate %	Amount RMB'000	Weighted average effective interest rate %	Amount RMB'000
Fixed rate borrowings:				
Bank loans and other borrowings	9.89	694,450	9.49	690,670
Obligations under finance leases	6.97	45,396	7.06	52,498
Liability component of convertible bonds	34.35	142,028	–	–
Total fixed rate borrowings		881,874		743,168

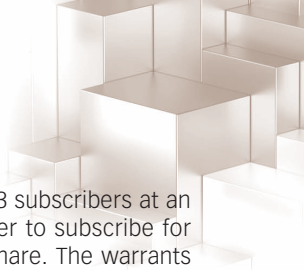
Management Discussion and Analysis

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

	As at 30 June 2015				As at 31 December 2014			
	Bank loans and other borrowings	Obligations under finance leases	Liability component of convertible bonds	Total	Bank loans and other borrowings	Obligations under finance leases	Liability component of convertible bonds	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year or repayable on demand	394,450	16,245	-	410,695	390,670	16,471	-	407,141
After one year but within two years	300,000	14,536	142,028	456,564	300,000	14,309	-	314,309
After two year but within five years	-	14,615	-	14,615	-	21,718	-	21,718
	694,450	45,396	142,028	881,874	690,670	52,498	-	743,168

On 19 January 2015, the Company issued 133,650,000 warrants to 7 subscribers at an issue price of HK\$0.001 per warrant. Each warrant entitles its holder to subscribe for one share of the Company at a subscription price of HK\$1.30 per share. The warrants are to be vested in phases according to the vesting conditions. The vesting condition is that the suppliers shall carry out the transactions under their respective annual procurement agreements, pursuant to which the suppliers, in aggregate, agreed to supply 49,500 tons of copper scrap raw materials to the Group in 2015 at a fixed discount of RMB1,000 per ton. The arrangements are expected to encourage such suppliers to achieve the targeted amount of raw material supplies and to maintain continued cooperative relationship with the Group. Please refer to the announcement of the Company dated 19 December 2014 for further details. For the six months ended 30 June 2015, the suppliers have delivered an aggregate of 6,044 tons of copper scrap raw materials to the Group, resulting in the vesting of 16,319,242 warrants accordingly.

Management Discussion and Analysis



On 24 February 2015, the Company issued 102,000,000 warrants to 3 subscribers at an issue price of HK\$0.001 per warrant. Each warrant entitles its holder to subscribe for one share of the Company at a subscription price of HK\$1.50 per share. The warrants are to be vested in phases according to the vesting conditions. The vesting condition is that the suppliers shall carry out the transactions under their respective annual procurement agreements, pursuant to which the suppliers, in aggregate, agreed to supply 30,000 tons of copper scrap raw materials to the Group from 1 February 2015 to 31 January 2016 at a fixed discount of RMB2,000 per ton. The arrangements are expected to encourage such suppliers to achieve the targeted amount of raw material supplies and to expand the Group's sources of raw materials. Please refer to the announcement of the Company dated 5 February 2015 for further details. For the six months ended 30 June 2015, the suppliers have delivered an aggregate of 2,449 tons of copper scrap raw materials to the Group, resulting in the vesting of 8,328,062 warrants accordingly.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group's cash and cash equivalents (excluding pledged deposits of RMB74.4 million) amounted to RMB56.7 million (as at 31 December 2014: RMB145.8 million).

The Group's inventories decreased by RMB160.1 million to RMB301.6 million (as at 31 December 2014: RMB461.7 million) and our trade and bills receivables increased by RMB45.5 million to RMB792.6 million (as at 31 December 2014: RMB747.1 million). During the six months ended 30 June 2015, the inventory turnover days and receivables turnover days were 63.1 days and 139.9 days respectively, as compared to 28.8 days and 67.4 days for the year ended 31 December 2014. Increase in inventory turnover days was mainly due to a decrease in the Group's revenue during the period. The decrease in the revenue was primarily attributable to a drop in demand for copper products as a result of the continued slowdown in China's economic growth and the deferral and contraction of customers' sales orders as a result of several instances of sharp movements in copper prices in the first half of 2015. The increase in receivable turnover days for the period reflected the fact that the liquidity in the banking and financial markets continued to be tight in the first half of 2015 which weakened the ability of our customers to settle trades balances within their credit periods.

Management Discussion and Analysis

Trade and bills payables increased by RMB50.8 million to RMB87.1 million as at 30 June 2015 (as at 31 December 2014: RMB36.3 million) while the payable turnover days were 10.3 days, compared to 11.0 days for the year ended 31 December 2014. Payable turnover days for the period were relatively stable as compared to last year.

The Group's total bank and other borrowings increased by RMB138.7 million to RMB881.9 million as at 30 June 2015 (31 December 2014: RMB743.2 million). The increase was mainly due to the issuance of convertible bonds, its initial fair value of loan portion amounted to approximately RMB137.2 million. In respect of the Group's borrowings, the Group has to comply with certain restrictive financial covenants and certain assets of the Group were pledged as security. The covenants had not been breached as at 30 June 2015.

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

	As at 30 June 2015	As at 31 December 2014
Current ratio	1.8	2.2
Quick ratio	1.5	1.6
Debt to equity ratio*	75.8%	58.4%
Net debt to equity ratio#	71.0%	46.9%

* Total interest-bearing debts/Total equity.

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

Management Discussion and Analysis

The deterioration of current ratio and quick ratio as at 30 June 2015 compared to 31 December 2014 were primarily attributable to (i) the increase in VAT payable as a result of successful application of deferral payments of VAT by certain subsidiaries; and (ii) the increase in bills payable following greater amount of available facilities granted by banks.

The increase in debt to equity ratio and net debt to equity ratio as at 30 June 2015 compared to 31 December 2014 were mainly because of (i) the increase in debt level as a result of the issuance of convertible bonds by the Company during the period; and (ii) the net loss for the six months ended 30 June 2015.

CHARGE ON ASSETS

The following table sets forth the net book value of assets under pledge for certain banking facilities, bills payable facilities, obligations under finance leases and outstanding futures contracts as at the dates indicated:

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Property, plant and equipment	170,531	176,328
Lease prepayments	33,796	38,269
Inventories	49,184	57,011
Bills receivable	–	4,000
Government grants receivable	21,462	35,015
Deposits with guarantee companies	9,500	27,100
Deposits with banks	59,500	13,022
Deposit with lessor of finance leases	5,320	5,320
Deposits with securities broker	4	10,663
	349,297	366,728

COMMODITY RISK

The major raw materials used in the production of our recycled copper products are scrap copper. We are exposed to fluctuations in the prices of raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect our financial performance. The Group uses copper futures contracts to mitigate part of its exposure against price fluctuations of copper raw materials. The market value of futures contracts is based on the quoted market price at the date of consolidated statement of financial position. The Group's outstanding copper futures contracts had a notional contract value of RMB Nil as at 30 June 2015 (as at 31 December 2014: RMB62.0 million). Net gain of RMB6.0 million was recognized during the six months ended 30 June 2015 (six months ended 30 June 2014: net loss of RMB3.2 million).

FOREIGN CURRENCY RISK

The functional currency of a majority of the entities within our Group is RMB and most of the transactions are settled in RMB. However, we are exposed to currency risk primarily related to the cash and cash equivalents that are denominated in Hong Kong dollars and the convertible bonds that are denominated in USD. The balance of cash and cash equivalents as at 30 June 2015 included HK\$4.0 million and USD0.8 million (in total equivalent to approximately RMB8.1 million) were held in banks in Hong Kong. As at 30 June 2015, the Group's bank loans and other borrowings and obligations under finance leases were denominated in RMB but the convertible bonds were denominated in USD, with an aggregate principal amount of USD32,610,000 (equivalent to approximately RMB200,000,000). The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the six months ended 30 June 2015. During the six months ended 30 June 2015, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies.

SIGNIFICANT INVESTMENTS HELD

Except for investments in subsidiaries and associate companies, the Group did not hold any significant investment in equity interest in any other company during the six months ended 30 June 2015.



MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

During the six months ended 30 June 2015, save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

CAPITAL EXPENDITURES

Our planned future capital expenditures mainly include the purchase of additional plant, machinery and land which we believe would facilitate the growth of our business. Our capital expenditures represent additions to property, plant and equipment and prepayments on lands of approximately RMB106.2 million for the six months ended 30 June 2015. The capital expenditures were paid out of the net proceeds from the Listing.

CAPITAL COMMITMENTS

As at 30 June 2015, the capital commitments in respect of the acquisition of property, plant and equipment and lease prepayments on lands contracted for but not provided in the consolidated financial statements amounted to RMB68.6 million (as at 31 December 2014: RMB133.4 million).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2015.

USE OF PROCEEDS FROM THE LISTING

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 21 February 2014 (the “Listing Date”) (the “Listing”) and issued 531,825,600 new shares (including issue of new shares upon the exercise of over-allotment option) at HK\$1.13 per share. The net proceeds from the Listing received by the Company were approximately RMB420.0 million (after taking into account of provisions for professional fees in relation to the Listing). These proceeds are intended to be applied in accordance with the business plan set out in the Prospectus. The business plan and schedule of use of proceeds disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied in accordance with the actual development of the market.

During the year ended 31 December 2014, a total of RMB297.6 million of the net proceeds from the Listing were applied for repaying loans from related parties, funding our planned capital expenditure in relation to additions to property, plant and equipment, land use rights, and research and development projects and repaying certain working capital loans.

During the six months ended 30 June 2015, a total of RMB106.2 million of the net proceeds from the Listing were applied for funding our planned capital expenditure in relation to additions to property, plant and equipment, land use rights, and research and development projects.

Certain amounts of net proceeds of the Listing had not been immediately used for the purposes described in the Prospectus. These proceeds were placed as deposits with banks (pledged and unpledged) and other financial institutions as at 30 June 2015.

EVENT AFTER REPORTING PERIOD

Save as disclosed in note 21 to the unaudited interim financial report, there is no material subsequent event undertaken by the Company or by the Group after 30 June 2015 and up to the date of this report.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: HK3.0 cents per ordinary share).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2015, the interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of part XV) of the directors and chief executives of the Company which would have to be notified to the Company pursuant to Divisions 7 and 8 of part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

(1) LONG POSITIONS IN THE ORDINARY SHARES OF THE COMPANY:

Name of Director	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholdings ⁽¹⁾
Mr. Yu Jianqiu	Interest in a controlled corporation ⁽²⁾	958,574,400	45.53%
Mr. Liu Hanjiu	Interest in controlled corporations ⁽³⁾	142,606,800	6.77%
Mr. Huang Weiping	Interest in a controlled corporations ⁽⁴⁾	270,915,400	12.87%
Mr. Kwong Wai Sun Wilson	Beneficial owner	4,772,600	0.23%

Notes:

- (1) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2015, being 2,105,145,600 shares.
- (2) The shares were held by Epoch Keen Limited ("Epoch Keen") which was wholly-owned by Mr. Yu Jianqiu.
- (3) The shares were held by Silver Harvest Holdings Limited and Ocean Through Limited which were wholly-owned by Mr. Liu Hanjiu.
- (4) The shares were held by First Harvest Global Limited and Gold Wide Enterprises Limited which were wholly-owned by Mr. Huang Weiping.

(2) LONG POSITIONS IN THE UNDERLYING SHARES OF THE COMPANY:

Name of Director	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholdings ⁽¹⁾
Mr. Huang Weiping	Beneficial owner ⁽⁵⁾	2,000,000	0.10%
Mr. Liu Hanjiu	Beneficial owner ⁽⁶⁾	12,000,000	0.57%
Ms. Zhu Yufen	Beneficial owner ⁽⁷⁾	10,000,000	0.48%
Mr. Kwong Wai Sun Wilson	Beneficial owner ⁽⁸⁾	5,000,000	0.24%
Mr. Lee Ting Bun Denny	Beneficial owner ⁽⁹⁾	1,000,000	0.05%
Mr. Pan Liansheng	Beneficial owner ⁽¹⁰⁾	1,000,000	0.05%
Ms. Liu Rong	Beneficial owner ⁽¹¹⁾	1,000,000	0.05%

Notes:

- (5) These equity derivatives were share options granted to Mr. Huang Weiping under the Share Option Scheme of the Company on 2 July 2014.
- (6) These equity derivatives were share options granted to Mr. Liu Hanjiu under the Share Option Scheme of the Company on 2 July 2014.
- (7) These equity derivatives were share options granted to Ms. Zhu Yufen under the Share Option Scheme of the Company on 2 July 2014.
- (8) These equity derivatives were share options granted to Mr. Kwong Wai Sun Wilson under the Share Option Scheme of the Company on 7 May 2015.
- (9) These equity derivatives were share options granted to Mr. Lee Ting Bun Denny under the Share Option Scheme of the Company on 7 May 2015.
- (10) These equity derivatives were share options granted to Mr. Pan Liansheng under the Share Option Scheme of the Company on 7 May 2015.
- (11) These equity derivatives were share options granted to Ms. Liu Rong under the Share Option Scheme of the Company on 7 May 2015.

Save as disclosed above, as at 30 June 2015, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the section "Directors' and Chief Executives' Interests in Shares" above, at no time during the six months ended 30 June 2015 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the directors or chief executives of the Company or their respective spouses or children under 18 years of age to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2015, the following persons (not being a director or chief executive of the Company) who had interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the ordinary shares of the Company:

Name	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholdings⁽¹⁾
Mianyang Science Technology City Development Investment (Group) Co., Ltd. ⁽²⁾	Persons having a security interest in shares	613,522,200	29.14%
China Huarong Asset Management Co., Ltd. ⁽³⁾	Persons having a security interest in shares	362,000,000	17.20%
Sichuan Changhong Electric Co., Ltd. ⁽⁴⁾	Persons having a security interest in shares	147,000,000	6.98%
Zhang Huayi	Beneficial owner	130,886,600	6.22%



Other Information

Notes:

- (1) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2015, being 2,105,145,600 shares.
- (2) On 15 August 2014, Silver Harvest Holdings Limited, Ocean Through Limited, First Harvest Global Limited and Gold Wide Enterprises Limited, shareholders of the Company, has each entered into share charges in respect of their respective shareholding of 103,205,200, 39,401,600, 167,952,400 and 102,963,000 shares in the Company in favour of Mianyang Science Technology City Development Investment (Group) Co., Ltd. ("Mianyang Development Group") as the secured party. On 10 November 2014, Epoch Keen entered into a share charge with Mianyang Development Group, pursuant to which Epoch Keen agreed to charge by way of first fixed charge all its rights, title, interest and benefit in 200,000,000 ordinary shares in the Company in favour of Mianyang Development Group as the secured party.
- (3) On 30 March 2015, Epoch Keen entered into a share charge with Huarong (HK) International Holdings Limited pursuant to which Epoch Keen agreed to charge by way of first fixed charge all its rights, title, interest and benefit in 362,000,000 ordinary shares in the Company in favour of Huarong (HK) International Holdings Limited as the secured party. Huarong (HK) International Holdings Limited is wholly controlled by China Huarong Asset Management Co., Ltd.
- (4) On 29 June 2015, Epoch Keen entered into a share charge with Changhong (Hong Kong) Trading Limited pursuant to which Epoch Keen agreed to charge by way of first fixed charge all its rights, title, interest and benefit in 147,000,000 ordinary shares in the Company in favour of Changhong (Hong Kong) Trading Limited as the secured party. Changhong (Hong Kong) Trading Limited is wholly controlled by Sichuan Changhong Electric Co., Ltd.

Save as disclosed above, as at 30 June 2015, no person, other than the directors of the Company, whose interests are also set out in the section "Directors' and Chief Executives' Interests in Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Share Option Scheme”) to provide incentive and/or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, our Company. The Share Option Scheme was conditionally approved by a written resolution of the then shareholders of the Company on 28 January 2014 and has come into effect upon the Company’s Listing. The refreshment of the 10% limit on the grant of share options under Share Option Scheme was approved by shareholders’ resolutions on 9 June 2015.

Details of share options granted, exercise, cancelled/lapsed and outstanding under the Share Option Scheme during the review period are as follows:

Category/name	Date of grant	Number of share options held at 1 January 2015	Changes during the period			Number of share options held at 30 June 2015	Exercise period Note (3)	Exercise price HK\$
			Granted	Exercised	Lapsed/ Cancelled Note (2)			
Directors								
Mr. Liu Hanjiu	2 July 2014	12,000,000	-	-	-	12,000,000	3 July 2015 to 2 July 2025	1.13 Note (4)
Mr. Huang Weiping	2 July 2014	2,000,000	-	-	-	2,000,000	3 July 2015 to 2 July 2025	1.13 Note (4)
Ms. Zhu Yufen	2 July 2014	10,000,000	-	-	-	10,000,000	3 July 2015 to 2 July 2025	1.13 Note (4)
Mr. Kwong Wai Sun Wilson	7 May 2015	-	5,000,000	-	-	5,000,000	8 May 2016 to 7 May 2026	1.68 Note (5)
Mr. Pan Liansheng	7 May 2015	-	1,000,000	-	-	1,000,000	8 May 2016 to 7 May 2026	1.68 Note (5)
Mr. Lee Ting Bun Denny	7 May 2015	-	1,000,000	-	-	1,000,000	8 May 2016 to 7 May 2026	1.68 Note (5)
Ms. Liu Rong	7 May 2015	-	1,000,000	-	-	1,000,000	8 May 2016 to 7 May 2026	1.68 Note (5)
Eligible person other than directors								
Eligible person other than directors	2 July 2014	83,390,000	-	-	(2,380,000)	81,010,000	3 July 2015 to 2 July 2025	1.13 Note (4)
Eligible person other than directors	7 May 2015	-	94,360,000	-	(620,000)	93,740,000	7 May 2016 to 6 May 2026	1.68 Note (5)
Total		107,390,000	102,360,000	-	(3,000,000)	206,750,000		

Other Information

Note:

- (1) The option period of the share options shall be 10 years from the date of grant;
- (2) The share options lapsed during the period upon resignation of the relevant eligible persons;
- (3) The share options granted have a vesting period of 3 years, i.e. one-third of the share options shall be vested on the 1st anniversary (round down to the nearest share option); one-third of the share options shall be vested on the 2nd anniversary (round down to the nearest share option); and the remaining share options shall be vested on the 3rd anniversary of the date of grant respectively;
- (4) The closing prices of the Company's shares on the date of grant (i.e. 2 July 2014) was HK\$1.07 per share.
- (5) The closing prices of the Company's shares on the date of grant (i.e. 7 May 2015) was HK\$1.68 per share.

VALUE OF SHARE OPTIONS

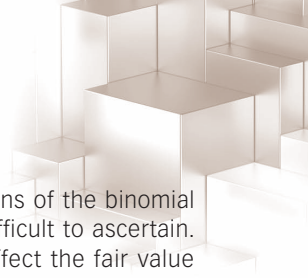
The fair value of the relevant share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the relevant share options were granted.

The following table sets out the inputs to the model used:

Date of grant	7 May 2015	2 July 2014
Share price on date of grant	HK\$1.68	HK\$1.07
Exercise price	HK\$1.68	HK\$1.13
Risk-free interest rate (based on Hong Kong Exchange Fund Notes) (%)	1.745%	2.059%
Expected life of options (year)	10 years	10 years
Expected volatility (%)	46.20%	45.54%
Expected dividend yield (%)	3%	3%
Early exercise behavior: (%)		
Directors	280%	280%
Grantees other than directors	220%	220%
Post-vesting exit rate: (%)		
Directors	0%	0%
Grantees other than directors	16.12%	5.44%
Estimated fair value per share option:		
Directors	HK\$0.71	HK\$0.44
Grantees other than directors	HK\$0.58	HK\$0.39

No other feature of the relevant share options was incorporated into the measurement of fair value.

Other Information



The value of the relevant share options is subject to the limitations of the binomial model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.

Apart from the above, the Company had not granted any share options under the Share Option Scheme to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company for the six months ended 30 June 2015.

CORPORATE GOVERNANCE

Since the Listing Date, save as to the deviation from the Code Provision A.2.1, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules.

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

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules during the review period.

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

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

REVIEW OF INTERIM REPORT

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

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

The unaudited interim financial report of the Group for the six months ended 30 June 2015 has been reviewed by the Company’s auditors, KPMG, 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 Hong Kong Institute of Certified Public Accountants.

The Audit Committee has also reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2015.

ACKNOWLEDGEMENT

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

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

Hong Kong, 27 August 2015

Consolidated Income Statement — Unaudited

For the six months ended 30 June 2015
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Revenue	3	996,363	1,758,531
Cost of sales		(1,089,299)	(1,734,814)
Gross (loss)/profit		(92,936)	23,717
Other revenue	5	116,709	206,672
Other net income/(loss)		2,455	(2,744)
Selling and distribution expenses		(4,805)	(9,236)
Administrative expenses		(57,270)	(53,796)
(Loss)/profit from operations		(35,847)	164,613
Finance costs	6(a)	(54,626)	(26,329)
(Loss)/profit before taxation	6	(90,473)	138,284
Income tax	7	4,468	(16,093)
(Loss)/profit for the period		(86,005)	122,191
Attributable to:			
Equity shareholders of the Company		(83,607)	122,191
Non-controlling interest		(2,398)	–
(Loss)/profit for the period		(86,005)	122,191
(Loss)/earnings per share	8		
Basic (RMB)		(0.04)	0.06
Diluted (RMB)		(0.04)	0.06

The notes on pages 31 to 56 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17(a).

Consolidated Statement of Comprehensive Income — Unaudited

For the six months ended 30 June 2015
(Expressed in Renminbi)

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
(Loss)/profit for the period	(86,005)	122,191
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of non-PRC entities	274	2,332
Total comprehensive income for the period	(85,731)	124,523
Attributable to:		
Equity shareholders of the Company	(83,333)	124,523
Non-controlling interest	(2,398)	–
	(85,731)	124,523

The notes on pages 31 to 56 form part of this interim financial report.

Consolidated Statement of Financial Position — Unaudited

At 30 June 2015
(Expressed in Renminbi)

	Note	30 June 2015 RMB'000	31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	9	578,746	559,308
Lease prepayments		100,926	85,618
Intangible assets		1,828	3,656
Interest in associates	10	134,832	–
Goodwill		39,308	39,308
Pledged deposits		5,320	12,820
Other non-current assets		82,894	34,134
Deferred tax assets		5,945	774
		949,799	735,618
Current assets			
Inventories	11	301,626	461,699
Trade and other receivables	12	1,299,176	1,021,829
Amounts due from associates		433	–
Pledged deposits		69,126	43,285
Cash and cash equivalents	13	56,695	145,765
		1,727,056	1,672,578
Current liabilities			
Trade and other payables	14	491,321	339,216
Obligations under finance leases		16,245	16,471
Bank loans and other borrowings	15	394,450	390,670
Amounts due to associates		20,096	–
Amounts due to a related party		5,000	–
Current taxation		19,223	19,988
		946,335	766,345
Net current assets		780,721	906,233
Total assets less current liabilities		1,730,520	1,641,851

Consolidated Statement of Financial Position — Unaudited

At 30 June 2015
(Expressed in Renminbi)

	Note	30 June 2015 RMB'000	31 December 2014 RMB'000
Non-current liabilities			
Bank loans and other borrowings	15	300,000	300,000
Obligations under finance leases		29,151	36,027
Liability component of convertible bonds	16	142,028	–
Derivative component of convertible bonds	16	53,869	–
Deferred government grants		40,698	31,048
Deferred tax liabilities		1,769	1,473
		567,515	368,548
NET ASSETS			
		1,163,005	1,273,303
CAPITAL AND RESERVES			
Share capital	17(b)	166,075	166,075
Reserves		989,091	1,096,991
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
		1,155,166	1,263,066
Non-controlling interest		7,839	10,237
TOTAL EQUITY			
		1,163,005	1,273,303

The notes on pages 31 to 56 form part of this interim financial report.

Consolidated Statement of Changes in Equity — Unaudited

For the six months ended 30 June 2015
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Share-based payment reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2014	907	71,579	12,370	132,055	49,406	-	346,488	612,805
Changes in equity for the six months ended 30 June 2014:								
Profit for the period	-	-	-	-	-	-	122,191	122,191
Other comprehensive income	-	-	2,332	-	-	-	-	2,332
Total comprehensive income	-	-	2,332	-	-	-	122,191	124,523
Capitalisation issue	123,215	(123,215)	-	-	-	-	-	-
Issue of new shares under the initial public offering ("IPO"), net of listing expenses	41,414	391,063	-	-	-	-	-	432,477
Issue of new shares upon exercise of the over-allotment option under the IPO	539	5,553	-	-	-	-	-	6,092
Appropriations to statutory reserves	-	-	-	-	7,961	-	(7,961)	-
Balance at 30 June 2014	166,075	344,980	14,702	132,055	57,367	-	460,718	1,175,897

Consolidated Statement of Changes in Equity — Unaudited

For the six months ended 30 June 2015
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Share-based payment reserve RMB'000	Warrant reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2015	166,075	294,842	15,322	132,055	76,142	10,365	–	568,265	1,263,066	10,237	1,273,303
Changes in equity for the six months ended 30 June 2015:											
Loss for the period	–	–	–	–	–	–	–	(83,607)	(83,607)	(2,398)	(86,005)
Other comprehensive income	–	–	274	–	–	–	–	–	274	–	274
Total comprehensive income	–	–	274	–	–	–	–	(83,607)	(83,333)	(2,398)	(85,731)
Issuance of warrants	17(f)	186	–	–	–	–	10,943	–	11,129	–	11,129
Share-based compensation expenses	17(e)	–	–	–	–	14,196	–	–	14,196	–	14,196
Dividends declared in respect of prior year	17(a)	–	(49,892)	–	–	–	–	–	(49,892)	–	(49,892)
Appropriations to statutory reserves		–	–	–	194	–	–	(194)	–	–	–
Balance at 30 June 2015	166,075	245,136	15,596	132,055	76,336	24,561	10,943	484,464	1,155,166	7,839	1,163,005

The notes on pages 31 to 56 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement — Unaudited

For the six months ended 30 June 2015
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from/(used in) operations The People's Republic of China ("PRC")		55,173	(84,828)
Corporate Income Tax paid		(1,172)	(32,620)
Net cash generated from/(used in) operating activities		54,001	(117,448)
Investing activities			
Payment for purchase of property, plant and equipment		(89,937)	(54,250)
Payment for lease prepayments		(16,256)	(2,007)
(Increase)/decrease in pledged deposits		(16,341)	2,891
Payment for acquisition of associate	10	(134,929)	–
Other cash flows arising from investing activities		589	573
Net cash used in investing activities		(256,874)	(52,793)

Condensed Consolidated Cash Flow Statement — Unaudited

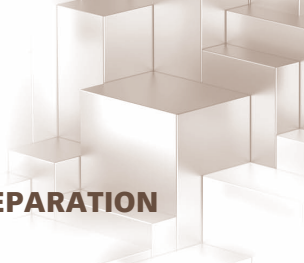
For the six months ended 30 June 2015
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Financing activities			
Proceeds from new bank loans and other borrowings		124,500	344,200
Repayment of bank loans and other borrowings		(120,720)	(358,474)
Advance from/(repayment to) related parties		5,000	(30,447)
Advance from associates		20,096	–
Repayment to associates		(433)	–
Issuance of warrants		186	–
Net proceed from issuance of convertible bonds	16	187,931	–
Increase in pledged deposits		(2,000)	(9,920)
Dividends paid		(49,892)	–
Repayment of loans from related parties		–	(85,773)
Gross proceeds from issue of shares		–	474,046
Payment for listing expenses		–	(33,058)
Other cash flows arising from financing activities		(50,858)	(24,834)
Net cash generated from financing activities		113,810	275,740
Net (decrease)/increase in cash and cash equivalents		(89,063)	105,499
Cash and cash equivalents at 1 January		145,765	78,615
Effect of foreign exchange rate changes		(7)	7
Cash and cash equivalents at 30 June	13	56,695	184,121

The notes on pages 31 to 56 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)



1 GENERAL INFORMATION AND BASIS OF PREPARATION

(a) GENERAL INFORMATION

China Metal Resources Utilization Limited (“the Company”) was incorporated in the Cayman Islands on 22 February 2013. The Company and its subsidiaries (together referred to as “the Group”) are principally engaged in the manufacturing and sales of copper and related products and the provision of contract manufacturing in the PRC. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 21 February 2014.

(b) BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 27 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the IASB.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION AND BASIS OF PREPARATION (continued)

(b) BASIS OF PREPARATION (continued)

The interim financial report is unaudited, but has been reviewed by KPMG 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 Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on pages 57 and 58.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statement for the year ended 31 December 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2015.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group.

- *Annual Improvements to IFRSs 2010–2012 Cycle*
- *Annual Improvements to IFRSs 2011–2013 Cycle*

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)



3 REVENUE

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

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Sales of recycled copper products	946,178	1,564,772
Sales of power transmission and distribution cables	25,830	137,319
Sales of communication cables	7,626	44,523
Sales of scrap materials	15,708	10,298
Contract manufacturing income	1,021	1,619
	996,363	1,758,531

4 SEGMENT REPORTING

The Group manages its businesses by business operations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING (continued)

(a) SEGMENT RESULTS

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

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

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

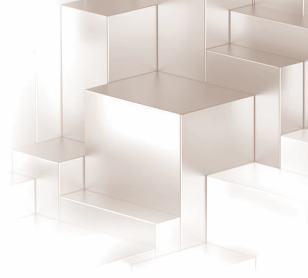
A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

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

	Six months ended 30 June 2015			
	Recycled copper products RMB'000	Power transmission and distribution cables RMB'000	Communication cables RMB'000	Total RMB'000
Revenue from external customers	962,882	25,830	7,651	996,363
Inter-segment revenue	276,947	404	726	278,077
Reportable segment revenue	1,239,829	26,234	8,377	1,274,440
Reportable segment loss	(33,067)	(4,850)	(6,920)	(44,837)

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)



4 SEGMENT REPORTING (continued)

(a) SEGMENT RESULTS (continued)

	Six months ended 30 June 2014			
	Recycled copper products RMB'000	Power transmission and distribution cables RMB'000	Communication cables RMB'000	Total RMB'000
Revenue from external customers	1,576,689	137,319	44,523	1,758,531
Inter-segment revenue	152,289	262	2,886	155,437
Reportable segment revenue	1,728,978	137,581	47,409	1,913,968
Reportable segment profit	125,011	7,707	8,779	141,497

(b) RECONCILIATIONS OF REPORTABLE SEGMENT REVENUE AND PROFIT OR LOSS

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Revenue		
Reportable segment revenue	1,274,440	1,913,968
Elimination of inter-segment revenue	(278,077)	(155,437)
Consolidated revenue	996,363	1,758,531
(Loss)/profit		
Reportable segment (loss)/profit derived from the Group's external customers	(44,837)	141,497
Unallocated head office and corporate expenses	(41,071)	(19,306)
Share of loss from associates	(97)	-
Consolidated (loss)/profit after taxation	(86,005)	122,191

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE

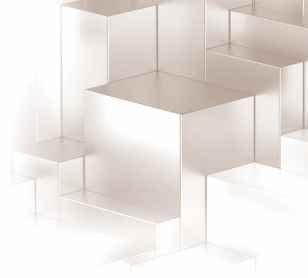
	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
VAT refunds		
— Comprehensive utilisation of resources (note (i))	96,472	141,946
— Employment of disabled staff (note (ii))	—	6,134
Government grants (note (iii))	777	58,075
Government subsidies (note (iv))	18,870	91
Interest income	590	426
	116,709	206,672

Notes:

- (i) The Group is entitled to government grants for refund of 50% of the net value added tax (“VAT”) paid/payable under the Adjustment and Improvement of VAT Policies for Products and Labour Services Relating to Comprehensive Utilisation of Resources (Cai Shui [2011] No. 115) jointly issued by the PRC State Administration of Taxation and Ministry of Finance.
- (ii) The Group is entitled to government grants for VAT refunds in connection with the employment of disabled people under Cai Shui [2007] No. 67 issued by the PRC State Administration of Taxation.
- (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) The amounts represent unconditional government subsidies from Youxian District Finance Bureau, Mianyang City, Sichuan Province. The subsidies were received through Sichuan Baohe Fushan Resources Recycling Development Co., Ltd. (“Baohe Fushan”), an associate of the Group.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)



6 LOSS/PROFIT BEFORE TAXATION

Loss/profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
(a) Finance costs		
Interest on bank loans and other borrowings wholly repayable within five years	34,972	20,704
Interest on loans from related parties	–	458
Interest on finance lease	1,867	2,219
Interest on convertible bonds	10,046	–
Guarantee fees and other charges	7,741	2,948
	54,626	26,329
(b) Other items		
Depreciation of property, plant and equipment	17,948	11,310
Amortisation of lease prepayments	949	902
Amortisation of intangible assets	1,828	1,828
Listing expenses	–	14,658
Write-down of inventories	7,119	–
Research and development costs	810	1,193

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current tax — PRC Corporate Income Tax		
Provision for the period	186	26,842
Under/(over)-provision in respect of prior years	222	(294)
Effect of reduction in tax rate for prior year (note (iii))	—	(10,344)
	408	16,204
Deferred tax		
Origination and reversal of temporary differences	(4,876)	(111)
	(4,468)	16,093

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (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 current and prior periods.
- (iii) The Company's PRC subsidiaries are subject to PRC Corporate Income Tax at the statutory rate of 25%. Under the Notice on Taxation Policy Issues concerning the In-depth Implementation of the Western Development Strategy (Cai Shui [2011] No.58) ("Western Development Strategy"), each of the Company's subsidiaries, Mianyang Jinxin Copper Co., Ltd. and Mianyang Tongxin Copper Co., Ltd. ("Tongxin") are entitled to a preferential income tax rate of 15% from 1 January 2012 to 31 December 2020.

In April 2014, the Company's subsidiaries, Sichuan Baohe Xinshiji Cable Co., Ltd. ("Baohe Xinshiji") and Mianyang Baohe Taiyue Communications Cable Co., Ltd. ("Baohe Taiyue") also obtained the approval from local tax authority and became entitled to a preferential income tax rate of 15% from 1 January 2013 to 31 December 2020 under the Western Development Strategy. Tax credits of RMB10,344,000 related to the preferential tax treatment for 2013 are recognised in profit or loss for the six months ended 30 June 2014.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)



8 (LOSS)/EARNINGS PER SHARE

(a) BASIC

The calculation of basic (loss)/earnings per share is based on the loss attributable to the equity shareholders of the Company of RMB83,607,000 (six months ended 30 June 2014: profit of RMB122,191,000) and the weighted average number of ordinary shares in issue during the period. For the purpose of calculating basic and diluted earnings per share for the six months ended 30 June 2014, the number of ordinary shares used in the calculation reflects the effects of the capitalisation issue which took place on 21 February 2014.

	Six months ended 30 June	
	2015	2014
(Loss)/profit attributable to equity shareholders of the Company (RMB'000)	(83,607)	122,191
Issued ordinary shares at the beginning of the period	2,105,145,600	11,238,000
Effect of capitalisation issue	–	1,562,082,000
Effect of issue of new shares under the initial public offering	–	377,072,972
Effect of exercise of the over-allotment option	–	4,109,481
Weighted average number of ordinary shares in issue during the period	2,105,145,600	1,954,502,453
Basic (loss)/earnings per share (RMB)	(0.04)	0.06

(b) DILUTED

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for both periods as all potentially dilutive potential ordinary shares were anti-dilutive.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT

(a) ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2015, the Group's additions to property, plant and equipment amounted to RMB37,391,000 (six months ended 30 June 2014: RMB36,269,000). No material disposal of property, plant and equipment was made during the six months ended 30 June 2015 and the year ended 31 December 2014.

(b) All of the Group's property, plant and equipment are located in the PRC. At 30 June 2015, property, plant and equipment with net book value of RMB170,531,000 (31 December 2014: RMB176,328,000) were pledged for certain banking facilities granted to the Group (see note 15(b)).

10 INTEREST IN ASSOCIATES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Share of net assets	34,517	–
Goodwill	100,315	–
	134,832	–

Particulars of the associates are as follows:

Name	Particulars of registered share capital/issued and paid in capital	Place of registration and business	Percentage of ownership interest attributable to the Group		Principal activities
			Direct	Indirect	
Deda Holdings Limited	Issued and paid in capital of USD1,000	BVI	30%	–	Investment holding
Hongkong Fujian Investments Limited	Issued and paid in capital of HKD1.0	Hong Kong	–	30%	Investment holding
Sichuan Baohu Fushan Resources Recycling Development Co., Ltd.	Registered capital of RMB100 million	The PRC	–	30%	Industrial park operation and development

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(Expressed in Renminbi unless otherwise indicated)

10 INTEREST IN ASSOCIATES (continued)

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

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

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

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

11 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Raw materials	159,652	239,450
Work in progress	13,499	32,146
Finished goods	115,880	75,292
Goods in transit	12,595	114,811
	301,626	461,699

At 30 June 2015, inventories of RMB49,184,000 (31 December 2014: RMB57,011,000) were pledged for banking facilities granted to the Group (see note 15(b)).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES

At the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on transaction date is, as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 30 days	541,295	296,703
31 to 60 days	63,968	161,238
61 to 180 days	12,733	201,761
Over 180 days	174,598	87,420
Trade debtors and bills receivable	792,594	747,122
Advance payments to suppliers	318,488	141,993
Government grants receivable	141,655	108,540
Other deposits, prepayments and receivables	46,439	24,174
	1,299,176	1,021,829

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

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Guangzhou Taiyue Communications Cable Co., Ltd. ("Guangzhou Taiyue")	4,730	8,104

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement represent:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Deposits with banks	32,000	68,000
Cash at bank and in hand	24,695	77,765
	56,695	145,765

14 TRADE AND OTHER PAYABLES

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 30 days	886	4,386
31 to 60 days	975	1,280
61 to 180 days	83,745	27,615
Over 180 days	1,543	3,013
Trade and bills payable	87,149	36,294
Receipts in advance	47,097	23,025
Accrued expenses and other payables	357,075	279,897
	491,321	339,216

Trade and bills payable included amounts due to related parties as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Sichuan Xinshiji Cable Co., Ltd. ("Sichuan Xinshiji")	—	2,517

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

15 BANK LOANS AND OTHER BORROWINGS

(a) At 30 June 2015, the analysis of the carrying amount of borrowings is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Bank loans		
— secured	319,450	313,970
— unsecured	25,000	20,000
	344,450	333,970
Entrusted loans		
— secured	300,000	300,000
— unsecured	50,000	56,700
	350,000	356,700
	694,450	690,670
Represented by:		
Current	394,450	390,670
Non-current	300,000	300,000
	694,450	690,670

(b) The banking facilities of the Group were secured by the following assets:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Property, plant and equipment (note 9(b))	170,531	176,328
Lease prepayments	33,796	38,269
Inventories (note 11)	49,184	57,011
Government grants receivable	21,462	35,015
Pledged deposits	69,000	40,000
Bills receivables	—	4,000
	343,973	350,623

Notes to the Unaudited Interim Financial Report

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16 CONVERTIBLE BONDS

The movements of the components of the convertible bonds during current period are set out below:

	Liability component (at amortised cost) RMB'000	Derivative component (at fair value) RMB'000
At issue date	137,164	50,767
Interest charge	10,046	–
Interest paid	(4,550)	–
Changes in fair value	–	3,102
Exchange realignment	(632)	–
At 30 June 2015	142,028	53,869

On 13 April 2015, the Company issued convertible bonds with a principal amount of USD32,610,000 (equivalent to approximately RMB200,208,000). The Company incurred transactions cost of approximately HK\$15,497,000 (equivalent to approximately RMB12,277,000) for the issue of the convertible bonds. Major terms of the convertible bonds are as below:

- (a) The convertible bonds carry 10% coupon interest per annum payable in arrears quarterly. Unless previously converted, the convertible bonds will be fully redeemed by the Company at its principal amount upon maturity at the second anniversary from the date of issuance. If the convertible bonds is not fully redeemed or converted before the first anniversary from the date of issuance, the Company has to pay additional 3% of the outstanding or unconverted principal amount to the bondholder. If the average closing share price of the Company during any six consecutive months within the period commencing from issuance date on 13 April 2015 to the maturity date has never, at any point of time, reached or exceeded the conversion price, the Company shall, upon redemption of the convertible bonds, compensate the bondholder in cash so that the bondholder is guaranteed an annualised return of 13% for the period commencing from issuance date to the first anniversary of issuance date and an annualised return of 16% for the period commencing from the day following the first anniversary of issuance date to the date of redemption.
- (b) From issuance date to the first anniversary, the Company may with the consent from the bondholder, at sole discretion, request for early redemption of all, but not in part, the outstanding convertible bonds.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

16 CONVERTIBLE BONDS (continued)

- (c) The convertible bonds are secured by 362,000,000 ordinary shares of the Company held by Epoch Keen Limited, a company wholly owned by Mr. Yu Jianqiu. If the aggregate shareholding of the senior management of the Company and their associates in Company is less than 50% of the entire share capital of the Company or the collateral ratio of the security falls below the specific ratio prescribed in the agreement and the Company has failed to provide additional collateral, the bondholder may request early redemption.
- (d) The bondholder has the right to convert the principal amount of the convertible bonds into ordinary shares of HK\$0.1 each of the Company at an initial conversion price of HK\$1.4 per share but subject to adjustments at any time during the term of the convertible bonds, subject to the minimum public float requirement. At the date of conversion, the exchange rate between the principal amount of the convertible bonds and the conversion price is fixed at USD0.18. Aggregate amount of principal converted into shares should not exceed USD16,300,000.

The convertible bonds contained two components, liability and derivative component. The initial fair value of the both components combined was determined based on gross proceeds at issuance. The initial fair value of the derivative component was estimated to be approximately RMB50,767,000 as at the issuance date of using the Monte Carlo Model and Binomial Option Pricing Model, taking into account the terms and conditions of the convertible bonds. In subsequent periods, derivative component is measured at fair value with changes in fair value recognized in profit or loss. The residual amount, representing the value of the liability component at approximately RMB137,164,000, was subsequently measured at amortized cost using effective interest rate method. The effective interest rate of the liability component of the convertible bonds is 34.35% per annum.

The fair value of the derivative component was determined using the Monte Carlo Model and Binomial Option Pricing Model and the major inputs into the model are as follows:

	At issue date	At 30 June 2015
Stock price	HK\$1.64	HK\$1.74
Exercise price	HK\$1.40	HK\$1.40
Expected volatility	42%	44%
Dividend yield	3%	3%
Option life	24 months	21.5 months
Risk free rate	0.46%	0.36%

Up to 30 June 2015, no conversion of the convertible bonds have taken place since the issuance date.

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(Expressed in Renminbi unless otherwise indicated)



17 CAPITAL, RESERVES AND DIVIDENDS

(a) DIVIDENDS

Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interim dividend declared and paid after the interim period of HK\$Nil per share (2014: HK3.0 cents per share)	–	50,138

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

Dividends payable to equity shareholders attributable to the pervious financial year, approved and paid during the period.

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Final dividends declared and paid in respect of prior year of HK3.0 cents per share (2014: HK\$Nil per share)	49,892	–

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(Expressed in Renminbi unless otherwise indicated)

17 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) SHARE CAPITAL

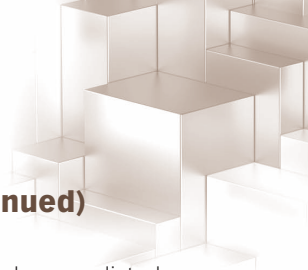
Authorised and issued share capital

	Par value HK\$	No. of shares	Shares HK\$'000
Authorised:			
At 1 January 2014, 31 December 2014, 1 January 2015 and 30 June 2015	0.10	100,000,000,000	10,000,000
			(equivalent to RMB8,071,000,000)
Issued and fully paid:			
At 1 January 2014	0.10	11,238,000	1,123
Issue of shares under the initial public offering	0.10	525,001,600	52,500
Capitalisation issue	0.10	1,562,082,000	156,208
Issue of shares upon exercise of the over-allotment option under the initial public offering	0.10	6,824,000	683
At 31 December 2014, 1 January 2015 and 30 June 2015	0.10	2,105,145,600	210,514
			(equivalent to RMB166,075,000)

- (i) On 21 February 2014, the Company capitalised an amount of HK\$156,208,000 (approximately RMB123,215,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 1,562,082,000 shares, each of which to be allotted and issued to the shareholders of the Company appearing on the register of members of the Company on 28 January 2014 in proportion to their respective shareholding.

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(Expressed in Renminbi unless otherwise indicated)



17 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) SHARE CAPITAL (continued)

- (ii) On 21 February 2014, the shares of the Company became listed on the Main Board of the Stock Exchange, pursuant to which 525,001,600 ordinary shares of HK\$0.1 each were issued at a price of HK\$1.13 per share by the Company. The total gross proceeds from the issue of these shares amounted to HK\$593,252,000 (approximately RMB467,954,000). Proceeds of HK\$52,500,000 (approximately RMB41,414,000), representing the par value of the shares issued, were credited to the Company's share capital. The remaining proceeds of HK\$495,895,000 (approximately RMB391,063,000 after deducting the listing expenses of RMB35,477,000), were credited to the share premium account.

On 18 March 2014, 6,824,000 ordinary shares of HK\$0.1 each were issued at a price of HK\$1.13 per share by the Company pursuant to the partial exercise of the over-allotment option by the sole global coordinator. The total gross proceeds from the issue of these shares amounted to HK\$7,711,000 (approximately RMB6,092,000). Proceeds of HK\$683,000 (approximately RMB539,000), representing the par value of the shares issued, were credited to the Company's share capital. The remaining proceeds of HK\$7,028,000 (approximately RMB5,553,000) were credited to the share premium account.

(c) SHARE PREMIUM

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(d) 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 general accepted accounting principle in the PRC, 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.

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17 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) 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 recognised in accordance with the accounting policy adopted for share-based payments.

(f) WARRANT RESERVE

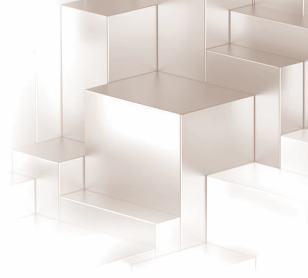
On 19 January 2015, the Company issued 133,650,000 warrants to 7 subscribers at an issue price of HK\$0.001 per warrant. Each warrant will entitle its holder to subscribe for one share of the Company at a subscription price of HK\$1.30 per share. The warrants will be vested in phases according to the vesting conditions. The vesting condition is that the suppliers shall carry out the transactions under their respective annual procurement agreements, pursuant to which the suppliers, in aggregate, agree to supply 49,500 tons of copper scrap raw materials to the Group in 2015 at a fixed discount of RMB1,000 per ton.

On 24 February 2015, the Company issued 102,000,000 warrants to 3 subscribers at an issue price of HK\$0.001 per warrant. Each warrant will entitle its holder to subscribe for one share of the Company at a subscription price of HK\$1.50 per share. The warrants will be vested in phases according to the vesting conditions. The vesting condition is that the suppliers shall carry out the transactions under their respective annual procurement agreements, pursuant to which the suppliers, in aggregate, agree to supply 30,000 tons of copper scrap raw materials to the Group from 1 February 2015 to 31 January 2016 at a fixed discount of RMB2,000 per ton.

The total discount on the raw materials purchased for the six months ended 30 June 2015 amounted to approximately RMB10,943,000 that had been recognised in warrant reserve.

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18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) 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.

The Group has engaged an independent valuation specialist to perform valuations for the derivative component of the convertible bonds. A valuation report with analysis of changes in fair value measurement is prepared by the independent valuation specialist at each interim and annual reporting date, and is reviewed and approved by the Company's management team. Discussion of the valuation process and results with the Company's management team is held twice a year, to coincide with the reporting dates.

There were no transfers between levels 1, 2 and 3 during the current and prior periods.

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18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) FAIR VALUE HIERARCHY (continued)

	Fair value hierarchy	30 June 2015 RMB'000	31 December 2014 RMB'000
Financial liabilities			
Derivative financial instruments			
— Copper futures contracts	Level 1	—	525
— Derivative component of convertible bonds	Level 3	53,869	—

(b) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS

	Valuation techniques	Significant unobservable inputs	Range
Derivative component of convertible bonds	Monte Carlo Model and Binomial Option Pricing Model	Expected volatility	42% to 44%

The fair value of derivative component of the convertible bonds is determined using Monte Carlo Model and Binomial Option Pricing Model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility.

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18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(b) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS (continued)

The movement during the period in the balance of level 3 fair value measurements is as follows:

	RMB'000
Derivative component of convertible bonds	
At the date of issue	50,767
Changes in fair value recognised in the profit or loss during the period	3,102
At 30 June 2015	53,869

The losses arising from the remeasurement of the derivative component of the convertible bonds are presented in "other net income/(loss)".

(c) FAIR VALUES OF FINANCIAL INSTRUMENTS CARRIED AT OTHER THAN FAIR VALUES

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2015 and 31 December 2014 except as follows:

	30 June 2015		31 December 2014	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Liability component of convertible bonds	142,028	152,952	-	-

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19 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2015 not provided for in the interim financial report were as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Contracted for		
— property, plant and equipment	63,321	114,084
— land use rights	5,326	19,326
Authorised but not contracted for	94,195	94,783
	162,842	228,193

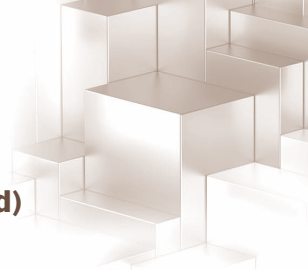
20 RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in this interim financial report, the Group entered into the following significant related party transactions during the current and prior periods.

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Sale of recycled copper products to Guangzhou Taiyue	—	1,746
Sale of recycled copper products to Sichuan Xinshiji (note (ii))	—	28,843
Purchase of power transmission and distribution cables from Sichuan Xinshiji (note (ii))	—	35,296
Processing fee charged by Sichuan Xinshiji	—	15,258

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(Expressed in Renminbi unless otherwise indicated)



20 RELATED PARTY TRANSACTIONS (continued)

Notes:

- (i) Sichuan Xinshiji is 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. He was also a key management personnel of the Group and a beneficial minority shareholder of the Company during the year ended 31 December 2014.

Guangzhou Taiyue is a private company which is 40% owned by Mr. Fan Dunxian, a key management personnel of the Group.

- (ii) During the six months ended 30 June 2014, the Group sold recycled copper products in the amount of RMB28,843,000 to Sichuan Xinshiji and purchased from Sichuan Xinshiji power transmission and distribution cables in the amount of RMB35,296,000). 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 Group's sales of recycled copper products amounted to RMB28,843,000 were not recognised as revenue in the consolidated income statement of the Group for the six months ended 30 June 2014 but as a reduction of the cost of the Group's purchases of power transmission and distribution cables.

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 was 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 via Baohe Fushan in connection with the facility of each of Tongxin, Baohe Xinshiji and Baohe Taiyue. As at 30 June 2015, the Management Consultancy Agreements of Baohe Xinshiji and Baohe Taiyue remained in force and will expire on 18 September 2015 and 26 September 2015, respectively.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

21 NON-ADJUSTING EVENT AFTER THE END OF THE REPORTING PERIOD

- (a) The Ministry of Finance and the State Administration of Taxation jointly issued a notice concerning the “Catalogue on Products and Labour Services relating to Comprehensive Utilisation of Resources Eligible for Concessions of Value-added Tax” (Cai Shui [2015] (No. 78)) (the “New VAT Policy”) on 12 June 2015, which will replace, amongst others, the Adjustment and Improvement of VAT Policies for Products and Labour Services Relating to Comprehensive Utilisation of Resources also issued by the Ministry of Finance and the State Administrative of Taxation (Cai Shui [2011] (No. 115)) (the “Former VAT Policy”). The New VAT Policy took effect on 1 July 2015. Under the Former VAT Policy, certain subsidiaries of the Company are entitled to government grants for refunds of 50% of the net VAT paid/payable. According to the New VAT Policy, the applicable VAT refund for such subsidiaries will be reduced to 30%.
- (b) On 23 July 2015, the Company granted 10,000,000 share options to certain eligible participants subject to acceptance of the grantees under the share option scheme adopted by the Company on 28 January 2014 and based on the shareholders’ resolutions passed on 9 June 2015 of the Refreshment of the 10% Share Option Scheme Limit. The grantees are entitled, subject to the terms and conditions of grant and upon exercise, to subscribe for an aggregate of 10,000,000 shares of the Company with nominal value of HK\$0.10 per share at an exercise price of HK\$2.16 per share. The share options granted have a vesting period of one year, i.e. all of the share options shall be vested on the 1st anniversary of the date upon which the share options are accepted, subject to the grantees remaining as eligible persons at the date of vesting.
- (c) On 5 August 2015, China Recycling Aluminium Limited (“Recycling Aluminium”), an indirect wholly-owned subsidiary of the Group, entered into an Equity Transfer Agreement with Mianyang Jin Xunhuan Electronic Trading Co., Ltd. (“JX Electronic”), pursuant to which Recycling Aluminium agreed to acquire and JX Electronic agreed to sell 30% equity interest in Mianyang Xinhuan Aluminium Company Limited, for a cash consideration of RMB1,500,000. JX Electronic is a company controlled by Ms. Yu Yanyan and Ms. Yu Jiajia, daughters of Mr. Yu Jianqiu, Chairman and controlling shareholder of the Company.



Review report to the board of directors of
China Metal Resources Utilization Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 56 which comprises the consolidated statement of financial position of China Metal Resources Utilization Limited (the "Company") as of 30 June 2015 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

27 August 2015



China Metal Resources Utilization Limited
中國金屬資源利用有限公司



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