



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



2016 INTERIM REPORT 中期報告

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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. Kwong Wai Sun Wilson
Mr. Huang Weiping
Ms. Zhu Yufen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Ting Bun Denny
Mr. Pan Liansheng
Ms. Ren Ruxian

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Mr. Lee Ting Bun Denny (*Chairperson*)
Mr. Pan Liansheng
Ms. Ren Ruxian

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

She Nos 1, 3 and 8
Shunhe Village, Xiaojiangou Town
Youxian District
Mianyang
Sichuan Province
China

PLACE OF BUSINESS IN HONG KONG

Unit 908, China Merchants Tower
168–200 Connaught Road Central
Sheung Wan
Hong Kong

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

REMUNERATION COMMITTEE

Mr. Pan Liangsheng (*Chairperson*)
Mr. Lee Ting Bun Denny
Ms. Ren Ruxian

NOMINATION COMMITTEE

Ms. Ren Ruxian (*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
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Mianyang Commercial Bank

COMPANY WEBSITE

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

STOCK CODE

1636

	For the six months ended 30 June		
	2016 RMB'000	2015 RMB'000	
Revenue	1,464,127	996,363	
Net loss attributable to the shareholders of the Company	37,115	83,607	
Loss per share	RMB0.02	RMB0.04	
	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000	Change
Cash and cash equivalents	8,696	82,559	-89.5%
Total assets	2,346,728	2,335,311	0.5%
Total liabilities	1,629,981	1,581,128	3.1%
Total Equity	716,747	754,183	-5.0%

	For the six months ended 30 June		
	2016 RMB'000	2015 RMB'000	
Net loss margin	2.6%	8.6%	
Return on equity	(10.2%)	(13.8%)	
	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000	
Inventory turnover days	24.0 days	67.2 days	
Receivables turnover days	52.5 days	122.3 days	
Payables turnover days	8.4 days	9.2 days	
Current ratio	0.9	1.1	
Quick ratio	0.8	0.9	
Debt to equity ratio*	141.2%	126.0%	
Net debt to equity ratio#	140.0%	115.0%	

* Total interest-bearing debts/Total equity.

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

BUSINESS REVIEW

In the first half of 2016, the continued slowdown in China's economic growth has resulted in a drop in the demand for copper products across the country. Furthermore, the weakened liquidity of our customers resulted in several cases of overdue trades balances, consequently we had to reduce sales to certain of our customers in order to minimise credit risks. In order to tackle such difficult situation, the Group took an expedient measure to speed up its liquidity by engaging in trading activities. As a result of such strategy, the Group recorded an increase in sales volume of copper products in the first half of 2016 as compared with the first half of 2015, which translated into an increase in turnover by 46.9% as compared with the first half of 2015.

Notwithstanding the challenging operating environment, we continued to work hard to build our business to meet our long term growth objectives. In August 2016, the Company completed the issuance of 135,000,000 new shares to a strategic business partner, the net proceeds of such new issuance amounted to approximately RMB300 million. Further, the Company has been selected by Hang Seng Indexes Company Limited as a constituent of the following indexes, with effect from 14 March 2016: (1) Hang Seng Global Composite Index; (2) Hang Seng Composite Index; (3) Hang Seng Composite Industry Index — Materials; (4) Hang Seng Composite MidCap & SmallCap Index; and (5) Hang Seng Composite SmallCap Index.

FUTURE PROSPECTS/OUTLOOK

China's gross domestic product in the second quarter of 2016 grew by 6.7% from a year earlier. The growth rate remained flat compared with the first quarter of 2016 and was the slowest since the time of the global financial crisis in the first quarter of 2009. The Chinese government has warned that China's economic growth trend is likely to be flat at least for the next year or two. It is therefore expected that the current weak market environment is unlikely to improve significantly in the short term. Under such situation and expected trend, we will be operating cautiously in order to minimize business risks. Whilst demand for recycled copper and aluminium products continued to remain sluggish and market liquidity continue to be tight, we are cautiously hopeful that the recent housing market recovery in China will soon translate to improvements in demand of basic materials like copper and aluminium which will help improve our business. Meanwhile, we will be preserving our financial strength so that we will be able to take full advantage of any improvements in the market environment to strengthen our business and increase profitability. We shall also continue to seek suitable acquisition opportunities which are more likely to arise under the current environment.

HUMAN RESOURCES

As at 30 June 2016, the Group had a total of approximately 523 employees (31 December 2015: 832). The Group's staff costs for the six months ended 30 June 2016 were approximately RMB36.6 million. The Group offers competitive remuneration schemes to its employees. In addition, discretionary bonuses and share options may also be granted to eligible employees 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.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 June 2016 (for the six months ended 30 June 2015: Nil).

FINANCIAL REVIEW

REVENUE

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

The following table sets forth an analysis of our revenue:

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Sales from trading of electrolytic copper	1,160,212	–
Sales of recycled copper products	283,231	946,178
Sales of power transmission and distribution cables	1,109	25,830
Sales of communication cables	15,838	7,626
Sales of aluminium products	2,986	–
Sales of scrap materials	247	15,708
Contract manufacturing income	504	1,021
	1,464,127	996,363

Revenue for the six months ended 30 June 2016 amounted to RMB1,464.1 million, representing an increase of 46.9% from RMB996.4 million for the six months ended 30 June 2015.

Revenue from copper products amounted to RMB1,443.4 million (including revenue from trading of electrolytic copper of RMB1,160.2 million and revenue from recycled copper products of RMB283.2 million) for the six months ended 30 June 2016, representing an increase of 52.6% from RMB946.2 million for the six months ended 30 June 2015, reflecting mainly an increase of 82.8% in the sales volume of recycled copper products from 25,329 metric tons for the six months ended 30 June 2015 to 46,314 metric tons for the six months ended 30 June 2016, with a decrease of 16.6% in average selling price from RMB37,400 per ton for the six months ended 30 June 2015 to RMB31,200 per ton for the six months ended 30 June 2016. The increase in sales was principally from trading of electrolytic copper, such sales had a shorter turnover days and hence lower risk from fluctuation of copper price.

Revenue from sales of power transmission and distribution cables amounted to RMB1.1 million for the six months ended 30 June 2016, representing a decrease of 95.7% from RMB25.8 million for the six months ended 30 June 2015. Revenue from sales of communication cables amounted to RMB15.8 million for the six months ended 30 June 2016, representing an increase of 107.9% from RMB7.6 million for the six months ended 30 June 2015.

CAPITAL STRUCTURE

As at 30 June 2016, the capital structure of the Group mainly consisted of shareholders' equity, bank loans and other borrowings, finance leases, convertible bonds and loan from a related party. There are no material seasonality of borrowing requirements for the Group.

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

	As at 30 June 2016		As at 31 December 2015	
	Weighted average effective interest rate %	Amount RMB'000	Weighted average effective interest rate %	Amount RMB'000
Fixed rate borrowings:				
Bank loans and other borrowings	8.88	649,000	9.40	661,510
Obligations under finance leases	6.77	31,198	6.88	38,282
Liability component of convertible bonds	34.35	181,719	34.35	166,488
Loan from a related party	5.00	150,481	5.00	83,780
Total fixed rate borrowings		1,012,398		950,060

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

	As at 30 June 2016					As at 31 December 2015					
	Liability					Liability					
	Bank loans	Obligations	component	of	Loan from	Bank loans	Obligations	component	of	Loan from	
	and other	under	of	a related	party	and other	under	of	a related	party	
borrowings	finance	convertible	bonds	party	Total	borrowings	finance	convertible	bonds	party	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year or repayable on demand	649,000	14,151	181,719	150,481	995,351	661,510	15,192	-	83,780	760,482	
After one year but within two years	-	17,047	-	-	17,047	-	12,462	166,488	-	178,950	
After two year but within five years	-	-	-	-	-	-	10,628	-	-	10,628	
More than five years	-	-	-	-	-	-	-	-	-	-	
	649,000	31,198	181,719	150,481	1,012,398	661,510	38,282	166,488	83,780	950,060	

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's cash and cash equivalents (excluding pledged deposits of RMB59.5 million) amounted to RMB8.7 million (as at 31 December 2015: RMB82.6 million).

The Group's inventories decreased by RMB109.4 million to RMB139.6 million (as at 31 December 2015: RMB249.0 million). During the six months ended 30 June 2016, the inventory turnover days were 24.0 days as compared with 67.2 days for the year ended 31 December 2015. The decrease in inventory turnover days was mainly due to an increase in the Group's cost of sales of 34.6% as compared with the same period last year. The increase in the revenue was primarily contributed by an increase in sales from trading of copper products and the turnover days of such sales were shorter.

Trade and bills receivables decreased by RMB56.9 million to RMB396.0 million (as at 31 December 2015: RMB452.9 million). During the six months ended 30 June 2016, the receivables turnover days were 52.5 days as compared with 122.3 days for the year ended 31 December 2015. The decrease in receivable turnover days reflected the increase in sales from trading of copper products and the turnover days of which were shorter.

Trade and bills payables increased by RMB13.6 million to RMB74.6 million as at 30 June 2016 (as at 31 December 2015: RMB61.0 million) while the payable turnover days was 8.4 days, compared with 9.2 days for the year ended 31 December 2015. Payable turnover days for the period was relatively stable as compared with last year.

The Group's total interest-bearing borrowings increased by RMB62.3 million to RMB1,012.4 million as at 30 June 2016 (31 December 2015: RMB950.1 million). The increase was mainly due to the increase in loan principal from a related party by RMB64.1 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 2016.

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

	As at 30 June 2016	As at 31 December 2015
Current ratio	0.9	1.1
Quick ratio	0.8	0.9
Debt to equity ratio*	141.2%	126.0%
Net debt to equity ratio#	140.0%	115.0%

* Total interest-bearing debts/Total equity.

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

The deterioration of current ratio and quick ratio as at 30 June 2016 compared with those as at 31 December 2015 were primarily attributable to the increase in current liabilities as a result of reclassification of the convertible bonds from non-current liability to current liability which would be expired within one year. In view of the issuance of 135,000,000 new shares of the Company in August 2016 to raise approximately RMB300,000,000, the Company does not expect to encounter liquidity problem in the foreseeable future.

The increase in debt to equity ratio and net debt to equity ratio as at 30 June 2016 compared with those as at 31 December 2015 was mainly because of (i) the increase in debt level as a result of the increase in loan from a related party during the period; and (ii) the net loss for the six months ended 30 June 2016.

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 2016 RMB'000	As at 31 December 2015 RMB'000
Property, plant and equipment	208,502	214,270
Lease prepayments	52,734	53,390
Inventories	39,500	53,063
Government grants receivable	8,550	8,550
Deposits with guarantee companies	8,000	30,900
Deposits with banks	22,982	22,982
Deposit with lessor of finance leases	5,320	5,320
Deposits with securities brokers	9	4
Deposit with other companies	28,500	–
	374,097	388,479

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 settlement on the balance sheet date. The Group did not have outstanding copper futures contracts as at 30 June 2016 (as at 31 December 2015: Nil). Net loss of RMB400 only from futures contracts was recognized during the six months ended 30 June 2016 (six months ended 30 June 2015: net gain of RMB6.0 million).

FOREIGN CURRENCY RISK

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, we are exposed to currency risk primarily related to the cash and cash equivalents and loans from a related party, both of them 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 2016 including approximately HK\$1.7 million and USD99,000 (in total equivalent to approximately RMB2.1 million) were held in banks in Hong Kong.

As at 30 June 2016, the Group's bank loans and other borrowings and obligations under finance leases were denominated in RMB but the loan from a related party was denominated in HKD with a principal amount of HK\$175 million (as at 31 December 2015: HK\$100 million) and the convertible bonds were denominated in USD with an aggregate principal amount of USD32.6 million (as at 31 December 2015: US\$32.6 million). The Group did not commit to any financial instruments to hedge against foreign exchange exposure during the six months ended 30 June 2016. During the six months ended 30 June 2016, the Company incurred an exchange difference on translation of financial statements of non-PRC entities equivalent to RMB9.1 million, part of which was resulted from translating the convertible bonds from USD to RMB.

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 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2016, save as the above, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies.

CAPITAL EXPENDITURES

For the six months ended 30 June 2016, the Group's capital expenditures represent additions to property, plant and equipment (including construction in progress) of approximately RMB18.3 million. The capital expenditures were mainly financed from internal resources.

CAPITAL COMMITMENTS

As at 30 June 2016, 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 RMB79.6 million (as at 31 December 2015: RMB76.0 million). In addition, the Group had other capital commitment of approximately RMB3.1 million in respect of the acquisition of 70% equity interest in Xinhuan Aluminium. Please refer to the announcement of the Company dated 31 December 2015 for further details.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2016.

USE OF PROCEEDS FROM THE LISTING

Up to 31 December 2015, the net proceeds from the global offering had been fully used for the purposes described in the Prospectus.

EVENTS AFTER THE REPORTING PERIOD

On 11 August 2016, the Company, Hong Kong Zhongliang Recycling Mining Investments Limited ("the Subscriber") and Liangshan Mining & Smelting Investment Holdings Co., Ltd. ("the Guarantor") entered into the subscription agreement, pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for 135,000,000 shares at a subscription price of HK\$2.58 per share, and the Guarantor agreed to guarantee the due and punctual performance by the Subscriber of all of the Subscriber's obligations under the subscription agreement. The Subscriber is a direct wholly-owned subsidiary of the Guarantor.

The net proceeds of HK\$348,300,000 (equivalent to RMB300,000,000) from the Subscription are intended to be used for the construction of the Company's new plant for the production of copper plates and copper wire rods in Huili County, Sichuan, PRC.

The subscription of shares by the Subscriber has been completed on 17 August 2016. Please refer to the announcement of the Company dated 11 August 2016 and 17 August 2016 for further details.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2016, 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⁾	993,570,400	47.20%
Mr. Huang Weiping	Beneficial owner Interest in a controlled corporations ⁽³⁾	6,204,000 431,054,200	0.29% 20.48%
Mr. Kwong Wai Sun Wilson	Beneficial owner	3,272,600	0.16%

Notes:

- (1) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2016.
- (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 First Harvest Global Limited, Gold Wide Enterprises Limited, Silver Harvest Holdings Limited and Ocean Through Limited, all of them were wholly-owned companies held 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 ⁽⁴⁾	2,000,000	0.10%
Ms. Zhu Yufen	Beneficial owner ⁽⁵⁾	10,000,000	0.48%
Mr. Kwong Wai Sun Wilson	Beneficial owner ⁽⁶⁾	5,000,000	0.24%
Mr. Lee Ting Bun Denny	Beneficial owner ⁽⁷⁾	1,000,000	0.05%
Mr. Pan Liansheng	Beneficial owner ⁽⁸⁾	1,000,000	0.05%
Ms. Ren Ruxian	Beneficial owner ⁽⁹⁾	1,000,000	0.05%

Notes:

- (4) These equity derivatives were share options granted to Mr. Huang Weiping under the Share Option Scheme of the Company at an exercise price of HK\$1.13 per share on 2 July 2014.
- (5) These equity derivatives were share options granted to Ms. Zhu Yufen under the Share Option Scheme of the Company at an exercise price of HK\$1.13 per share on 2 July 2014.
- (6) These equity derivatives were share options granted to Mr. Kwong Wai Sun Wilson under the Share Option Scheme of the Company at an exercise price of HK\$1.68 per share on 7 May 2015.
- (7) These equity derivatives were share options granted to Mr. Lee Ting Bun Denny under the Share Option Scheme of the Company at an exercise price of HK\$1.68 per share on 7 May 2015.
- (8) These equity derivatives were share options granted to Mr. Pan Liansheng under the Share Option Scheme of the Company at an exercise price of HK\$1.68 per share on 7 May 2015.
- (9) These equity derivatives were share options granted to Ms. Ren Ruxian under the Share Option Scheme of the Company at an exercise price of HK\$3.66 per share on 31 May 2016.

Save as disclosed above, as at 30 June 2016, so far as is known to any director or the chief executive of the Company, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under Section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as otherwise disclosed in this report, no rights to acquire benefits by means of the acquisition of shares or debentures of the Company were granted to any director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the six months ended 30 June 2016.

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

At 30 June 2016, the following persons (not being a director or chief executive of the Company) 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	Note	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholdings ⁽¹⁾
China Huarong Asset Management Co., Ltd	(2)(i)	Persons having a security interest in shares	362,000,000	17.19%
	(2)(ii)	Interests in a controlled corporations	180,519,643	8.58%
Mianyang Science Technology City Development Investment (Group) Co., Ltd.	(3)	Persons having a security interest in shares	310,317,000	14.74%
Sichuan Changhong Electric Co., Ltd.	(4)	Persons having a security interest in shares	147,000,000	6.98%

Notes:

- (1) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2016.
- (2)
 - (i) On 30 March 2015, Epoch Keen entered into a share charge with Huarong (HK) International Holdings Limited ("Huarong") 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 of the Company in favour of Huarong as the secured party. Huarong is wholly controlled by China Huarong Asset Management Co., Ltd.
 - (ii) Assuming full conversion of the convertible bonds at an initial conversion price of HK\$1.4 per share, the convertible bonds will be convertible into approximately 180,519,643 new shares (subject to adjustment).

According to the disclosure forms filed by China Huarong Asset Management Co., Ltd. on 27 March 2015, the following interests in shares of the Company were held as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest	Number of shares
Huarong Real Estate Co., Ltd.	China Huarong Asset Management Co., Ltd.	100	N	Long position 180,519,643
Huarong Zhiyuan Investment & Management Co., Ltd.	China Huarong Asset Management Co., Ltd.	100	N	Long position 180,519,643
Huarong (HK) International Holdings Limited	Huarong Real Estate Co., Ltd.	88.1	Y	Long position 180,519,643
Huarong (HK) International Holdings Limited	Huarong Zhiyuan Investment & Management Co., Ltd.	11.9	Y	Long position 180,519,643

- (3) 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 of 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 of the Company in favour of Mianyang Development Group as the secured party. On 31 December 2015, share charges were released for Silver Harvest Holdings Limited and Epoch Keen Limited in respect of 103,205,200 and 200,000,000 shares of the Company.
- (4) On 29 June 2015, Epoch Keen entered into a share charge with Changhong (Hong Kong) Trading Limited ("Changhong HK") 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 of the Company in favour of Changhong HK as the secured party. Changhong HK is wholly controlled by Sichuan Changhong Electric Co., Ltd. ("Sichuan Changhong"). On 22 August 2016, the share charge was released.

Other than as disclosed above, as at 30 June 2016, the directors had not been notified by any person (not being the directors or chief executive of the Company) who had 5% or more interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept 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 the 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 on 21 February 2014.

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	Changes during the period					Exercise period	Price of the share of the Company at the grant date of share options	
		Number of share options held at 1 January 2016	Granted	Exercised	Lapsed/ Cancelled	Number of share options held at 30 June 2016		Exercise price HK\$	HK\$
Directors									
Mr. Huang Weiping	2 July 2014	2,000,000	-	-	-	2,000,000	2 July 2014 to 1 July 2024	1.13	1.07
Ms. Zhu Yufen	2 July 2014	10,000,000	-	-	-	10,000,000	2 July 2014 to 1 July 2024	1.13	1.07
Mr. Kwong Wai Sun Wilson	7 May 2015	5,000,000	-	-	-	5,000,000	7 May 2015 to 6 May 2025	1.68	1.68
Mr. Pan Liansheng	7 May 2015	1,000,000	-	-	-	1,000,000	7 May 2015 to 6 May 2025	1.68	1.68
Mr. Lee Ting Bun Denny	7 May 2015	1,000,000	-	-	-	1,000,000	7 May 2015 to 6 May 2025	1.68	1.68
Ms. Ren Ruxian	31 May 2016	-	1,000,000	-	-	1,000,000	31 May 2016 to 30 May 2026	3.66	3.05
Eligible person other than directors									
Other employees	2 July 2014	79,450,000	-	-	(1,960,000)	77,490,000	2 July 2014 to 1 July 2024	1.13	1.07
Other employees	7 May 2015	92,750,000	-	-	(2,620,000)	90,130,000	7 May 2015 to 6 May 2025	1.68	1.68
Certain eligible participants	23 July 2015	7,600,000	-	-	-	7,600,000	24 July 2016 to 23 January 2017	2.16	1.67
Other employees	31 May 2016	-	26,930,000	-	-	26,930,000	31 May 2016 to 30 May 2026	3.66	3.05
Certain eligible participants	31 May 2016	-	5,200,000	-	-	5,200,000	31 May 2016 to 30 May 2026	3.66	3.05
Total		198,800,000	33,130,000	-	(4,580,000)	227,350,000			

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:

Grant date	2 July 2014		7 May 2015		23 July 2015	31 May 16		
	Share options granted to		Share options granted to		Share options granted to	Share options granted to		
	Executive directors	Other employees	Executive directors	Other employees	Certain eligible participants	Executive directors	Other employees	Certain eligible participants
Fair value at measurement date (HK\$)	0.44	0.39	0.71	0.58	2.23	1.22	1.17	1.45
Share price (HK\$)	1.07	1.07	1.68	1.68	1.67	3.05	3.05	3.05
Exercise price (HK\$)	1.13	1.13	1.68	1.68	2.16	3.66	3.66	3.66
Expected volatility	45.54%	45.54%	46.20%	46.20%	49.43%	50.00%	50.00%	50.00%
Expected life	10 years	10 years	10 years	10 years	1.5 years	10 years	10 years	10 years
Expected dividends	3%	3%	3%	3%	3%	1.47%	1.47%	1.47%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	2.059%	2.059%	1.745%	1.745%	0.239%	1.286%	1.286%	1.286%
Exercise multiple	2.8	2.2	2.8	2.2	-	2.8	2.2	-
Post-vesting exit rate	0%	5.44%	0%	16.12%	-	9.22%	9.22%	-

No other feature of the relevant Share Options was incorporated into the measurement of fair value.

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.

Further details relating to the Share Option Scheme and share options granted thereunder are set out in the announcements of the Company dated 2 July 2014, 7 May 2015, 23 July 2015 and 31 May 2016. 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 the Rule 17.07 of the Listing Rules during the six months ended 30 June 2016.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

As disclosed in the announcement of the Company dated 10 November 2014, on the same day, 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 of the Company (representing 9.50% of the issued share capital of the Company as at the date of the 2014 Share Charge) in favour of Mianyang Development Group as the secured party (the "2014 Share Charge") as security for the liabilities of Tongxin for the second tranche of an entrusted loan of an aggregate principal amount of up to RMB600,000,000 entered into by and among Tongxin (as borrower) and Mianyang Development Group (as the lender by way of entrusted loan) by way of a co-operation agreement dated 29 July 2014 (the "Loan").

The first drawdown of the Loan in the principal amount of RMB200,000,000 and the second drawdown of the Loan in the principal amount of RMB100,000,000 (the "Second Tranche Principal") had occurred. The entering into the 2014 Share Charge is a condition precedent to the drawdown of the Second Tranche Principal under the Loan. The 2014 Share Charge has been released on 31 December 2015.

As disclosed in the announcement of the Company dated 30 March 2015, on the same day, Epoch Keen entered into a share charge ("2015 Share Charge") with Huarong, pursuant to which Epoch Keen agreed to charge by way of first fixed charge all its rights, title and interest in 362,000,000 ordinary shares of the Company (representing 17.19% of the issued share capital of the Company as at the date of the 2015 Share Charge) in favour of Huarong as the secured party.

The 2015 Share Charge has been entered into as security for the liabilities of the Company under a subscription agreement in relation to the issue of convertible bonds due 2017 entered into between the Company and Huarong on 27 March 2015. As at the date of this report, the 2015 Share Charge has not been released.

On 29 June 2015, Epoch Keen entered into a share charge with Changhong HK ("Changhong Share Charge") 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 of the Company (representing 6.98% of the issued share capital of the Company as at the date of Changhong Share Charge) in favour of Changhong HK as the secured party to secure, amongst others, the repayment of the prepayment amount from Sichuan Changhong to Tongxin under an annual sales contract entered into between Tongxin and Sichuan Changhong on 16 June 2015. Changhong HK is wholly controlled by Changhong Sichuan. As at the date of this report, this share charge has been released.

EQUITY LINKED AGREEMENTS

SHARE OPTION SCHEME

Details of the Share Option Scheme of the Company are set out in the section above headed "SHARE OPTION SCHEMES"

WARRANT SUBSCRIPTION AGREEMENTS

On 19 December 2014, the Company entered into a warrant subscription agreement with each of the 7 subscribers, pursuant to which the Company agreed to issue and the subscribers agreed to subscribe for an aggregate of 133,650,000 warrants at an issue price of HK\$0.001 per warrant. Obligations of the Company and each of the subscribers of the warrant subscription are conditional upon, among other matters, the fulfillment of the conditions stated in the Company's announcement dated 19 December 2014. The warrants will be vested in phases according to the vesting conditions. In the five years from the date of completion, after the warrants are being vested and become effective, each warrant will entitle its holder to subscribe for one share at a subscription price of HK\$1.30 per share (subject to adjustment). 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. Further details relating to the issuance of such warrants are set out in the announcements of the Company dated 19 December 2014.

Up to 31 December 2015, the suppliers have delivered an aggregate of approximately 7,180 tons of copper scrap raw materials to the Group, resulting in the vesting of 19,385,878 warrants accordingly. The aggregate proceeds in cash from the exercise of the subscription rights attaching to the warrants will be approximately HK\$25,201,641. No such warrants were exercised during the six months ended 30 June 2016.

On 4 February 2015, the Company entered into a warrant subscription agreement with 3 subscribers pursuant to which the Company agreed to issue and the subscribers agreed to subscribe for an aggregate of 102,000,000 warrants at an issue price of HK\$0.001 per warrant. Obligations of the Company and each of the subscribers of the warrant subscription are conditional upon, among other matters, the fulfillment of the conditions stated in the Company's announcement dated 5 February 2015. The warrants are to be vested in phases according to the vesting conditions. In the five years from the date of completion, after the warrants are being vested and become effective, each warrant will entitle its holder to subscribe for one share at a subscription price of HK\$1.50 per share (subject to adjustment). 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. Each warrant entitles its holder to subscribe for one share of the Company at a subscription price of HK\$1.50 per share. Further details relating to the issuance of such warrants are set out in the announcements of the Company dated 5 February 2015.

Up to 31 January 2016, the suppliers have delivered an aggregate of approximately 2,449 tons of copper scrap raw materials to the Group, resulting in the vesting of 8,328,072 warrants accordingly. The aggregate proceeds in cash from the exercise of the subscription rights attached to the warrants will be approximately HK\$12,492,108. No such warrants were exercised during the six months ended 30 June 2016.

CONVERTIBLE BONDS SUBSCRIPTION AGREEMENT

On 27 March 2015, the Company entered into a subscription agreement with Huarong relating to the issuance of convertible bonds by the Company to Huarong in an aggregate principal amount of USD32,610,000 expiring at the second anniversary date of the issue date .

The obligations of Huarong to subscribe and pay for, and the obligations of the Company to issue, the convertible bonds are conditional upon, among other things, the fulfillment of certain conditions as stated in the announcement of the Company dated 27 March 2015.

On 13 April 2015, the Company completed the issuance of convertible bonds to Huarong in an aggregate principal amount of USD32,610,000. 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). Subject as provided in the terms and conditions, the bondholder(s) shall be entitled to convert, in whole or in part, the convertible bonds into shares of the Company on any business day from the issue date up to and including the day preceding the maturity date. 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 Directors are of the view that the convertible bonds issue represented a good opportunity for the Company to raise funds to strengthen its financial position and to finance the Group's future development and expansion, including the acquisition of interest in Baohe Fushan. The Directors consider that raising funds by way of issuing the convertible bonds would enable the Company to obtain funds with a lower financial cost considering the recent debt and equity market conditions. In addition, the Directors are of the view that an investment by Huarong and China Huarong Asset Management Co., Ltd., a reputable institutional investor, in convertible instrument of the Company represents a recognition in the investment value of the Company, and would contribute to building a long term relationship with the Investor group.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company for the six months ended 30 June 2016.

CORPORATE GOVERNANCE

During the six months ended 30 June 2016, 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, all of them are independent non-executive directors, namely Mr. Lee Ting Bun Denny (Chairman of the Audit Committee), Mr. Pan Liansheng and Ms. Ren Ruxian, with written terms of reference in compliance with the Listing Rules.

The primary duties of the Audit Committee are mainly to communicate with 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 make recommendations thereof.

The unaudited interim financial report of the Group for the six months ended 30 June 2016 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 2016.

ACKNOWLEDGEMENT

The Board would like to take this opportunity to express its gratitude to all shareholders and business associates for their continuous support and to all employees for their dedication and contribution to the Group.

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

Hong Kong, 31 August 2016

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	3	1,464,127	996,363
Cost of sales		(1,465,735)	(1,089,299)
Gross loss		(1,608)	(92,936)
Other revenue	5(a)	99,611	116,709
Other net income	5(b)	14,615	2,455
Selling and distribution expenses		(10,030)	(4,805)
Administrative expenses		(70,678)	(57,270)
Profit/(loss) from operations		31,910	(35,847)
Finance costs	6(a)	(64,118)	(54,626)
Loss before taxation	6	(32,208)	(90,473)
Income tax	7	(5,705)	4,468
Loss for the period		(37,913)	(86,005)
Attributable to:			
Equity shareholders of the Company		(37,115)	(83,607)
Non-controlling interests		(798)	(2,398)
Loss for the period		(37,913)	(86,005)
Loss per share	8		
Basic (RMB)		(0.02)	(0.04)
Diluted (RMB)		(0.02)	(0.04)

The notes on pages 32 to 56 form part of this interim financial report.

Consolidated Statement of Profit Or Loss and Other Comprehensive Income

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Loss for the period	(37,913)	(86,005)
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	(9,144)	274
Total comprehensive income for the period	(47,057)	(85,731)
Attributable to:		
Equity shareholders of the Company	(46,259)	(83,333)
Non-controlling interests	(798)	(2,398)
	(47,057)	(85,731)

The notes on pages 32 to 56 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2016 — unaudited
(Expressed in Renminbi)

	Note	30 June 2016 RMB'000	31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	9	587,367	584,429
Lease prepayments		98,855	99,916
Investment in associates	10	136,797	135,957
Goodwill		23,227	23,227
Pledged deposits		5,320	5,320
Other non-current assets		24,427	26,424
Deferred tax assets		31,802	37,749
		907,795	913,022
Current assets			
Inventories	11	139,619	249,002
Trade and other receivables	12	1,224,346	1,033,039
Amounts due from associates		469	458
Amounts due from related parties		6,312	3,345
Pledged deposits		59,491	53,886
Cash and cash equivalents	13	8,696	82,559
		1,438,933	1,422,289
Current liabilities			
Trade and other payables	14	461,936	474,799
Obligations under finance leases		14,151	15,192
Bank loans and other borrowings	15	649,000	661,510
Amounts due to associates		5,780	6,520
Amounts due to related parties		1,726	6,098
Loan from a related party		150,481	83,780
Liability component of convertible bonds	16	181,719	–
Derivative component of convertible bonds	16	136,294	–
Current taxation		3,951	9,662
		1,605,038	1,257,561
Net current (liabilities)/assets		(166,105)	164,728
Total assets less current liabilities		741,690	1,077,750

Consolidated Statement of Financial Position

At 30 June 2016 — unaudited
(Expressed in Renminbi)

	Note	30 June 2016 RMB'000	31 December 2015 RMB'000
Non-current liabilities			
Obligations under finance leases		17,047	23,090
Liability component of convertible bonds	16	—	166,488
Derivative component of convertible bonds		—	130,989
Deferred government grants		7,896	3,000
		24,943	323,567
NET ASSETS			
		716,747	754,183
CAPITAL AND RESERVES			
Share capital	17(b)	166,075	166,075
Reserves		547,768	578,913
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
		713,843	744,988
Non-controlling interests		2,904	9,195
TOTAL EQUITY			
		716,747	754,183

The notes on pages 32 to 56 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company										Total equity RMB'000
	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	
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	-	186	-	-	-	-	10,943	-	11,129	-	11,129
Share-based compensation expenses	-	-	-	-	-	14,196	-	-	14,196	-	14,196
Dividends declared in respect of prior year	-	(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

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 — unaudited
(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 2016	166,075	245,136	2,042	132,055	76,142	40,700	12,079	70,759	744,988	9,195	754,183
Changes in equity for the six months ended 30 June 2016:											
Loss for the period	-	-	-	-	-	-	-	(37,115)	(37,115)	(798)	(37,913)
Other comprehensive income	-	-	(9,144)	-	-	-	-	-	(9,144)	-	(9,144)
Total comprehensive income	-	-	(9,144)	-	-	-	-	(37,115)	(46,259)	(798)	(47,057)
Share-based compensation expenses 17(e)	-	-	-	-	-	17,821	-	-	17,821	-	17,821
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(2,707)	(2,707)	(5,493)	(8,200)
Share option lapsed	-	-	-	-	-	(241)	-	241	-	-	-
Appropriations to statutory reserves	-	-	-	-	56	-	-	(56)	-	-	-
Balance at 30 June 2016	166,075	245,136	(7,102)	132,055	76,198	58,280	12,079	31,122	713,843	2,904	716,747

The notes on pages 32 to 56 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Operating activities			
Cash (used in)/generated from operations The People's Republic of China ("PRC")		(57,809)	55,173
Corporate Income Tax paid		(5,469)	(1,172)
Net cash (used in)/generated from operating activities		(63,278)	54,001
Investing activities			
Payment for purchase of property, plant and equipment		(18,336)	(89,937)
Payment for lease prepayments		–	(16,256)
Increase in pledged deposits		(5)	(16,341)
Payment for investment in associates		–	(134,929)
Interest received		23,719	589
Net cash generated from/(used in) investing activities		5,378	(256,874)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Financing activities			
Proceeds from new bank loans and other borrowings		164,450	124,500
Repayment of bank loans and other borrowings		(176,960)	(120,720)
Repayment of sale and leaseback arrangement		(7,085)	(7,102)
Proceeds from advances from local government		1,000	9,184
Repayment of advances from local government		(720)	(8,360)
Increase in pledge deposits		(5,600)	(2,000)
Interest paid		(51,544)	(44,580)
Advance from related parties		5,005	24,663
Proceeds from loan from a related party		63,060	–
Acquisition of additional interest in subsidiary		(8,200)	–
Issuance of warrant		–	186
Net proceed from issuance of convertible bond		–	187,931
Dividend paid		–	(49,892)
Net cash (used in)/generated from financing activities		(16,594)	113,810
Net decrease in cash and cash equivalents		(74,494)	(89,063)
Cash and cash equivalents at 1 January		82,559	145,765
Effect of foreign exchange rate changes		631	(7)
Cash and cash equivalents at 30 June	13	8,696	56,695

The notes on pages 32 to 56 form part of this 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, sales of aluminium 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 (“Listing Rules”) 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 31 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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.

(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 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory annual consolidated financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2016.

2 CHANGES IN ACCOUNTING POLICIES

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

- *Annual Improvements to IFRSs 2012–2014 Cycle*
- *Amendments to IAS1, Presentation of financial statements: Disclosure initiative.*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

ANNUAL IMPROVEMENTS TO IFRSS 2012–2014 CYCLE

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the group's interim financial report as the group does not present the relevant required disclosures outside the interim financial statements.

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

AMENDMENTS TO IAS 1, PRESENTATION OF FINANCIAL STATEMENTS: DISCLOSURE INITIATIVE

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the group's interim financial report.

3 REVENUE

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

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	
	2016 RMB'000	2015 RMB'000
Sales from trading of electrolytic copper (i)	1,160,212	–
Sales of recycled copper products	283,231	946,178
Sales of power transmission and distribution cables	1,109	25,830
Sales of communication cables	15,838	7,626
Sales of aluminium products	2,986	–
Sales of scrap materials	247	15,708
Contract manufacturing income	504	1,021
	1,464,127	996,363

- (i) The Group has entered into trading activities of electrolytic copper to mitigate the risks arising from the production of copper-related products which would have a longer turnover days and subject the Group to higher risk of fluctuation of copper price. The Group is a principal as it controls the electrolytic copper before they are transferred to the customers. The gross inflows of the trading activities are therefore recognised as revenue.

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING

The Group manages its businesses by business operations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments, namely recycled copper products segment, power transmission and distribution cables segment, communication cables segment and aluminium products segment as at 30 June 2016.

- (i) Recycled copper products segment: use of scrap copper and electrolytic copper for the manufacturing of recycled copper products and sales of copper products;
- (ii) Power transmission and distribution cables segment: manufacturing sales of power transmission and distribution cables;
- (iii) Communication cables segment: manufacturing and sales of communication cables; and
- (iv) Aluminium products segments: sales of aluminium products

(a) SEGMENT RESULTS

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

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

The measure used for reporting segment (loss)/profit is "(loss)/profit after taxation". To arrive at reportable segment profit, the Group's (loss)/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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING (continued)

(a) SEGMENT RESULTS (continued)

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 2016				
	Recycled copper products RMB'000	Power transmission and distribution cables RMB'000	Communication cables RMB'000	Aluminium products RMB'000	Total RMB'000
Revenue from external customers	1,444,194	1,109	15,838	2,986	1,464,127
Inter-segment revenue	-	116	-	-	116
Reportable segment revenue	1,444,194	1,225	15,838	2,986	1,464,243
Reportable segment (loss)/profit	10,063	2,952	2,386	(332)	15,069

	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)

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING (continued)**(b) RECONCILIATIONS OF REPORTABLE SEGMENT REVENUE AND PROFIT OR LOSS**

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue	1,464,243	1,274,440
Elimination of inter-segment revenue	(116)	(278,077)
Consolidated revenue	1,464,127	996,363
Loss		
Reportable segment profit/(loss) derived from the Group's external customers	15,069	(44,837)
Unallocated head office and corporate expenses	(53,822)	(41,071)
Share of profit/(loss) from associates	840	(97)
Consolidated loss after taxation	(37,913)	(86,005)

(c) GEOGRAPHIC INFORMATION

The Group carried out its business operations in the PRC, thus no separate geographical segment analysis based on the location of assets is presented.

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE AND OTHER NET INCOME**(a) OTHER REVENUE**

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
VAT refunds		
— Comprehensive utilisation of resources (note (i))	2,953	96,472
Government grants (note (ii))	4,963	777
Government subsidies (note (iii))	67,472	18,870
Interest income	24,223	590
	99,611	116,709

Notes:

- (i) The Group is entitled to government grants for refunds of 30% for the six months ended 30 June 2016 (six months ended 30 June 2015: 50%) of the net 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 (the "Former VAT Policy")) jointly issued by the PRC State Administration of Taxation and Ministry of Finance.

The Ministry of Finance and the State Administration of Taxation jointly issued a notice concerning the "Catalogue on Products and Labour Services relating to Comprehensive Utilisation of Resources Eligible for Concessions of Value-added Tax" (Cai Shui 2015 (No. 78)) (the "New VAT Policy") on 12 June 2015, which replaced, amongst others, the Former VAT Policy. The New VAT Policy took effect on 1 July 2015. Under the Former VAT Policy, certain subsidiaries of the Company were 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 are reduced to 30%.

- (ii) The amounts represent local government grants received by operating subsidiaries of the Group in the PRC for the purpose of providing immediate financial support to those subsidiaries for general operating use with no future related costs. No specific conditions are required to meet in connection with the grants.
- (iii) During the six months ended 30 June 2016, the Group was granted unconditional government subsidies of RMB67,472,000 (six months ended 30 June 2015: RMB18,870,000) from Youxian District Finance Bureau, Mianyang City, Sichuan Province. The subsidies were received through Sichuan Baohe Fushan Resources Recycling Development Co., Ltd. ("Baohe Fushan"), an associate of the Group. Baohe Fushan is principally engaged in the operation and the development of an industrial park in Mianyang City, Sichuan Province, where most of the Group's subsidiaries are located.

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE AND OTHER NET INCOME (continued)

(b) OTHER NET INCOME

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Change in fair value of derivative component of convertible bonds	(2,663)	(3,102)
Reversal of provision for bad debt	25,204	–
Impairment loss of trade debtors and bills receivable	(7,866)	–
Others	(60)	5,557
	14,615	2,455

6 LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
(a) Finance costs		
Interest on bank loans and other borrowings wholly repayable within five years	30,405	34,972
Interest on loans from related parties	2,990	–
Finance charges on obligation under finance lease	1,319	1,867
Interest on convertible bonds	28,620	10,046
Guarantee fees and other charges	784	7,741
	64,118	54,626
(b) Other items		
Depreciation of property, plant and equipment	15,823	17,948
Amortisation of lease prepayments	1,061	949
Amortisation of intangible assets	–	1,828
(Reversal of write-down of inventories)/ Write-down of inventories	(7,480)	7,119
Research and development costs	695	810

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current tax — PRC Corporate Income Tax		
Provision for the period	2,898	186
(Over)/under-provision in respect of prior years	(651)	222
Deferred tax		
Origination and reversal of temporary differences	2,247	408
	3,458	(4,876)
	5,705	(4,468)

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.

(Expressed in Renminbi unless otherwise indicated)

8 LOSS PER SHARE**(a) BASIC**

The calculation of basic loss per share is based on the loss attributable to the equity shareholders of the Company of RMB37,115,000 (six months ended 30 June 2015: loss of RMB83,607,000) and the weighted average number of ordinary shares.

	Six months ended 30 June	
	2016	2015
Loss attributable to equity shareholders of the Company (RMB'000)	(37,115)	(83,607)
Issued ordinary shares at 1 January	2,105,145,600	2,105,145,600
Weighted average number of ordinary shares in issue	2,105,145,600	2,105,145,600
Basic loss per share (RMB)	(0.02)	(0.04)

(b) DILUTED

Diluted loss 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 per share is the same as basic loss per share for both periods as all potentially dilutive potential ordinary shares were anti-dilutive.

9 PROPERTY, PLANT AND EQUIPMENT**(a) ACQUISITIONS AND DISPOSALS**

During the six months ended 30 June 2016, the Group's additions to property, plant and equipment amounted to RMB18,761,000 (six months ended 30 June 2015: RMB37,391,000). No material disposal of property, plant and equipment was made during the six months ended 30 June 2016 and the year ended 31 December 2015.

- (b)** All of the Group's property, plant and equipment are located in the PRC. At 30 June 2016, property, plant and equipment with net book value of RMB208,502,000 (31 December 2015: RMB214,270,000) were pledged for certain banking facilities granted to the Group (see note 15(b)).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT IN ASSOCIATES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Share of net assets	36,482	35,642
Goodwill	100,315	100,315
	136,797	135,957

Particulars of the associates are as follows:

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

(Expressed in Renminbi unless otherwise indicated)

11 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Raw materials	53,719	40,742
Work in progress	11,251	14,798
Finished goods	57,190	71,314
Goods in transit	17,459	122,148
	139,619	249,002

At 30 June 2016, inventories of RMB39,500,000 (31 December 2015: RMB53,063,000) were pledged for banking facilities granted to the Group (see note 15(b)).

During the six months ended 30 June 2016, RMB7,480,000 (2015: nil) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of reversal of a write-down of inventories to estimated net realisable value. This reversal arose due to an increase in the estimated net realisable value of copper products as a result of a change in copper price.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES

As at 30 June 2016, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on invoice date and net of allowance for impairment loss is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 30 days	35,420	64,139
31 to 60 days	5,569	4,931
61 to 180 days	23,599	39,752
Over 180 days	331,366	344,090
Trade debtors and bills receivable	395,954	452,912
Advance payments to suppliers	576,820	402,531
Government grants receivable	97,391	111,055
Other deposits, prepayments and receivables	154,181	66,541
	1,224,346	1,033,039

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

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Guangzhou Taiyue Communications Cable Co., Ltd.	4,730	4,730
Sichuan Xijiulong Investment Co., Ltd.	171	171
	4,901	4,901

(Expressed in Renminbi unless otherwise indicated)

13 CASH AND CASH EQUIVALENTS

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Deposits with banks	–	33,000
Cash at bank and on hand	8,696	49,559
Cash and cash equivalents in the consolidated statement of financial position	8,696	82,559

14 TRADE AND OTHER PAYABLES

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 30 days	16,089	2,846
31 to 60 days	46,207	52,948
61 to 180 days	1,523	1,335
Over 180 days	10,808	3,847
Trade and bills payable	74,627	60,976
Receipts in advance	111,677	41,299
Accrued expenses and other payables	275,632	372,524
	461,936	474,799

(Expressed in Renminbi unless otherwise indicated)

15 BANK LOANS AND OTHER BORROWINGS

- (a) At 30 June 2016, the analysis of the carrying amount of borrowings is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Bank loans — secured	299,550	312,050
Entrusted loans — secured — unsecured	300,000 49,450	300,000 49,460
	349,450	349,460
	649,000	661,510
Represented by:		
Due within 1 year	649,000	661,510

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Property, plant and equipment (note 9(b))	208,502	214,270
Lease prepayments	52,734	53,390
Inventories (note 11)	39,500	53,063
Government grants receivable	8,550	8,550
Pledged deposits	59,400	53,800
	368,686	383,073

(Expressed in Renminbi unless otherwise indicated)

16 CONVERTIBLE BONDS

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

	Liability component (at amortised cost) RMB'000	Derivative component (at fair value) RMB'000
At the date of issue	137,164	50,767
Interest charge	35,114	–
Interest paid	(14,657)	–
Changes in fair value	–	77,091
Exchange realignment	8,867	3,131
At 31 December 2015, 1 January 2016	166,488	130,989
Interest charge	28,620	–
Interest paid	(16,940)	–
Changes in fair value	–	2,663
Exchange realignment	3,551	2,642
At 30 June 2016	181,719	136,294

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.

(Expressed in Renminbi unless otherwise indicated)

16 CONVERTIBLE BONDS (continued)

- (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.
- (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.

(Expressed in Renminbi unless otherwise indicated)

16 CONVERTIBLE BONDS (continued)

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 2016
Stock price	HK\$1.64	HK\$3.08
Exercise price	HK\$1.40	HK\$1.40
Expected volatility	42%	38%
Dividend yield	3%	1%
Option life	24 months	9.5 months
Risk free rate	0.46%	0.29%

Up to 30 June 2016, no conversion of the convertible bonds have taken place since the issuance date.

17 CAPITAL, RESERVES AND DIVIDENDS

(a) DIVIDENDS

No interim dividend (six months ended 30 June 2015: nil) was declared during the period of 30 June 2016.

No dividend payable to equity shareholders attributable to the previous financial year (six months ended 30 June 2015: RMB49,892,000) was approved or paid during the period.

(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	Nominal value of ordinary shares HK\$'000
Authorised:			
At 1 January 2015, 31 December 2015, 1 January 2016 and 30 June 2016	0.10	100,000,000,000	10,000,000
			(equivalent to RMB8,071,000,000)
Issued and fully paid:			
At 1 January 2015, 31 December 2015, 1 January 2016 and 30 June 2016	0.10	2,105,145,600	210,514
			(equivalent to RMB166,075,000)

(c) STATUTORY RESERVES

According to the PRC rules and regulations, the Company's operating subsidiaries are required to transfer 10% of the net income after tax, as determined in accordance with 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.

(Expressed in Renminbi unless otherwise indicated)

17 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) 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.

(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.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

(i) 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.

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18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**(a) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)****(i) Fair value hierarchy (continued)**

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 years.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position as at 30 June 2016 are grouped into the fair value hierarchy as follows.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000 (note (a))	Total RMB'000
At 30 June 2016				
Financial liabilities at fair value through profit or loss				
— Derivative component of convertible bonds	—	—	136,294	136,294
At 31 December 2015				
Financial liabilities at fair value through profit or loss				
— Derivative component of convertible bonds	—	—	130,989	130,989
— Unlisted warrants	—	12,079	—	12,079
	—	12,079	130,989	143,068

(Expressed in Renminbi unless otherwise indicated)

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

(ii) 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	38% to 55%

The fair value of the 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.

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

	Derivative component RMB'000
At the date of issue	50,767
Changes in fair value recognised in the profit or loss	77,091
Exchange realignment	3,131
At 1 January 2016, 31 December 2015	130,989
Changes in fair value recognised in the profit or loss during the period	2,663
Exchange realignment	2,642
At 30 June 2016	136,294

The losses arising from the measurement of the derivative component of the convertible bonds are presented in "other net income".

(Expressed in Renminbi unless otherwise indicated)

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**(b) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE**

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 2016 and 31 December 2015 except as follows:

	30 June 2016		31 December 2015	
	Carrying amount RMB'000	Fair Value RMB'000	Carrying amount RMB'000	Fair Value RMB'000
Liability component of convertible bonds	181,719	214,039	166,488	174,308

19 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2016 not provided for in the interim financial report were as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contracted for		
— property, plant and equipment	61,747	62,010
— land use rights	17,871	13,956
— non-controlling interests	3,100	—
Authorised but not contracted for	76,182	71,193
	158,900	147,159

(Expressed in Renminbi unless otherwise indicated)

20 MATERIAL 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.

(i) FINANCING ARRANGEMENTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest expense on loan from Epoch Keen Limited, a private company controlled by Mr. Yu Jianqiu	2,990	-
	2,990	-

(ii) OTHER RELATED PARTIES TRANSACTIONS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Guarantee provided by Baohe Fushan	35,000	-
Guarantee provided by Sichuan Gushan Vegetable Fat Chemical Co., Ltd.	10,000	-
Delivery cost charged by Mianyang Jin Xunhuan Finance Storage Limited	652	-
	45,652	-

(Expressed in Renminbi unless otherwise indicated)

21 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 June 2016:

ACQUISITION OF 70% EQUITY INTEREST IN XINHUAN ALUMINIUM

On 4 July 2016, a subsidiary of the Company China Recycling Aluminium Limited (“Recycling Aluminium”) completed acquiring the remaining 70% non-controlling interests of Mianyang Xinhuan Aluminium Company Limited (“Xinhuan Aluminium”) from Sichuan Jinxunhuan E-commerce Limited with a cash consideration of RMB3,100,000. Upon completion, Recycling Aluminium legally and beneficially held 100% equity interest in Xinhuan Aluminium, with the right to appoint all members of the board of directors of Xinhuan Aluminium. Accordingly, Xinhuan Aluminium became an indirect wholly-owned subsidiary of the Company.

PROPOSED ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 11 August 2016, the Company, Hong Kong Zhongliang Recycling Mining Investments Limited (“the Subscriber”) and Liangshan Mining & Smelting Investment Holdings Co., Ltd. (“the Guarantor”) entered into the Subscription Agreement, pursuant to which the Company has agreed to issue and the Subscriber has agreed to subscribe for 135,000,000 Subscription Shares at a Subscription Price of HK\$2.58 per Subscription Share, and the Guarantor has agreed to guarantee the due and punctual performance by the Subscriber of all of the Subscriber’s obligations under the Subscription Agreement. The Subscriber a direct wholly-owned subsidiary of the Guarantor.



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 24 to 56 which comprises the consolidated statement of financial position of China Metal Resources Utilization Limited (the “Company”) as of 30 June 2016 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and 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 2016 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

31 August 2016



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



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