



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

2018

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.

DIRECTORS

EXECUTIVE DIRECTORS

Yu Jianqiu
Kwong Wai Sun Wilson
Huang Weiping
Zhu Yufen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lee Ting Bun Denny
Pan Liansheng
Ren Ruxian

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE IN THE PRC

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COMPANY SECRETARY

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

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES PURSUANT TO THE LISTING RULES

Kwong Wai Sun Wilson
Cheung Ying Kwan

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
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Grand Cayman, KY1-1111
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
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PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong)
Limited
Industrial and Commercial Bank of China
Mianyang Commercial Bank
Huarong Xiangjiang Bank
China Merchants Bank
Youxian Rural Credit
Cooperative Association

COMPANY WEBSITE

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

STOCK CODE

1636

Financial Highlights

	For the six months ended 30 June		
	2018 RMB'000	2017 RMB'000	
Revenue	9,658,380	4,208,903	
Net profit attributable to the shareholders of the Company	60,233	85,454	
Earnings per share	RMB0.02	RMB0.04	
	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000	Change
Cash and cash equivalents	118,264	109,595	+7.9%
Total assets	4,153,780	3,398,835	+22.2%
Total liabilities	2,493,706	1,862,459	+33.9%
Total Equity	1,660,074	1,536,376	+8.1%

	For the six months ended 30 June		
	2018 RMB'000	2017 RMB'000	
Net profit margin	0.62%	2.0%	
Return on equity	7.5%	16.1%	
	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000	
Inventory turnover days	9.7 days	8.9 days	
Receivables turnover days	20.1 days	18.0 days	
Payables turnover days	6.4 days	4.1 days	
Current ratio	1.6	1.8	
Quick ratio	1.2	1.5	
Debt to equity ratio*	91.7%	81.0%	
Net debt to equity ratio#	84.6%	73.9%	

* Total interest-bearing debts/Total equity.

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

BUSINESS REVIEW

In the first half of 2018, the improvement in China's economic growth has resulted in an increase in the demand for copper products across the country. As a result, the Group recorded an increase in sales volume of copper products in the first half of 2018 as compared with the first half of 2017, which translated into an increase in turnover by 129.5% as compared with the same period last year. Such increase in sales was contributed not only by the increase in the Group's trading volume of electrolytic copper but also by the increase in production volume of its recycled copper products. Along with the increase in production and sales volume of recycled copper products, VAT refunds under the Comprehensive Utilisation of Resources Policy also recorded a corresponding increase during the first half of 2018. Furthermore, the improvement in the liquidity of our customers has resulted in the recovery of several long overdue trade receivable balances.

We see headwinds as well as opportunities amid the trade conflict between China and the USA. In order to increase our financial strength to be well prepared for the future, the Group has agreed with the bondholder to extend the maturity date of a tranche of convertible bonds with a principal amount of HK\$80.0 million and entered into a subscription agreement to issue 75,980,000 new shares to a state-owned enterprise for raising approximately HK\$364.7 million in the first half of 2018. The subscription of new shares is expected to be completed in the fourth quarter of 2018. In order to grasp the favorable opportunities to expand our scale, the Group has also completed the acquisitions of two target companies which have production facilities in Sichuan and Hubei respectively.

FUTURE PROSPECTS/OUTLOOK

China's gross domestic product in the first half of 2018 grew by 6.8%, which was slightly lower than last year's 6.9%. Although this would appear to indicate that China's economy is on its stable growth track, such momentum did not reflect the potential impact from trade conflict between China and the USA. Copper price in China has decreased by approximately 7.0% in the first half of 2018 and further decreased by 7.5% from July to mid August 2018, implying that the commodity market may have worry over the economy. On the monetary front, the central bank of China also took various measures to tighten credit creation in the first half of 2018. Capital expenditures in China rose only 5.5% year-on-year in the first half of 2018, the slowest growth rate since 1999. In order to tackle the potential impact from the trade conflict with the USA, the Chinese government plans to speed up infrastructure investment in the second half of the year. At this juncture, we will be more cautious yet looking to increase our financial strength so that we will be able to cope with headwinds as well as take full advantage of future opportunities. At the same time, we shall also continue to seek suitable acquisition opportunities to help grow our business.

HUMAN RESOURCES

As at 30 June 2018, the Group had a total of approximately 802 employees (31 December 2017: 521). The Group's staff costs for the six months ended 30 June 2018 were approximately RMB60.6 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 30 June 2018 (for the six months ended 30 June 2017: 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	
	2018 RMB'000	2017 RMB'000
Sales from trading of electrolytic copper	6,707,436	3,068,646
Sales of recycled copper products	2,819,678	1,109,265
Sales of power transmission and distribution cables	16,669	4,182
Sales of communication cables	23,234	14,785
Sales of scrap steel	3,108	–
Sales of scrap materials	40,399	11,257
Contract manufacturing income and others	371	768
Trading of other metal	47,485	–
	9,658,380	4,208,903

Revenue for the six months ended 30 June 2018 amounted to RMB9,658.4 million, representing an increase of 129.5% from RMB4,208.9 million for the six months ended 30 June 2017.

Revenue from copper products amounted to RMB9,527.1 million (including revenue from trading of electrolytic copper of RMB6,707.4 million and revenue from recycled copper products of RMB2,819.7 million) for the six months ended 30 June 2018, representing an increase of 128.0% from RMB4,177.9 million for the six months ended 30 June 2017, reflecting mainly an increase of 102.6% in the sales volume of all copper products from 105,508 metric tons for the six months ended 30 June 2017 to 213,786 metric tons for the six months ended 30 June 2018, and an increase of 12.4% in average selling price from RMB39,598 per ton for the six months ended 30 June 2017 to RMB44,527 per ton for the six months ended 30 June 2018.

Revenue from sales of power transmission and distribution cables amounted to RMB16.7 million for the six months ended 30 June 2018, representing an increase of 298.6% from RMB4.2 million for the six months ended 30 June 2017. Revenue from sales of communication cables amounted to RMB23.2 million for the six months ended 30 June 2018, representing an increase of 57.1% from RMB14.8 million for the six months ended 30 June 2017.

Adjusted EBITDA

This MD&A makes reference to the term “adjusted EBITDA” which is not a recognized measure under IFRS, and do not have a standardized meaning prescribed by IFRS. Accordingly, the Company’s use of this term may not be comparable to similarly defined measures presented by other companies. Management uses adjusted EBITDA to measure the Company’s efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures or to repay debt. Investors are cautioned that the non-IFRS measures should not be construed as an alternative to net income determined in accordance with IFRS as an indication of the Company’s performance. The following table sets forth the calculation of adjusted EBITDA.

	For the six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Profit before taxation	92,164	110,285
Finance costs	70,249	62,972
Share-based payment expenses	5,038	16,411
Depreciation	18,864	17,359
Amortisation of lease prepayments	1,136	1,050
Interest income	(191)	(284)
Shares of (profit)/loss of associates	(14,494)	310
Impairment loss of trade debtors and bills receivable	745	2,853
Reversal of impairment loss of trade debtors and bill receivable	(52,441)	(99,790)
Write off/(reversal) of inventory provisions	6,733	(5,288)
	127,803	105,878

The increase in adjusted EBITDA for the six months ended 30 June 2018 was mainly due to the increase in VAT refunds resulted from growth in revenue and government grants and subsidies as well as the decrease in administrative expenses. Adjusted EBITDA is a non-IFRS financial measure calculated as earnings before deduction of finance expenses and income, income tax, depreciation and amortisation, impairment loss and write-offs and share-based payment expense. It excludes the Group’s share of results of associates.

Profit for the period

Our profit for the six months ended 30 June 2018 was RMB60.2 million as compared to RMB85.5 million for the six months ended 30 June 2017. The decrease was mainly due to the enlarged sales volume from trading of metal, the gross profit of which was lower than that from sales of manufactured products. Furthermore, the reversal of impairment loss of trade and other receivables in the same period last year was larger than that in the first half of 2018. Financial costs also increased by approximately RMB7.3 million as compared to the same period last year.

CAPITAL STRUCTURE

As at 30 June 2018, the capital structure of the Group mainly consisted of shareholders' equity, bank and other borrowings and finance leases and convertible bonds. There is no material seasonality of borrowing requirements for the Group. The following table details the interest rate profile of the Group's total interest-bearing borrowings at the end of reporting periods:

	As at 30 June 2018		As at 31 December 2017	
	Weighted average effective interest rate %	Amount RMB'000	Weighted average effective interest rate %	Amount RMB'000
Fixed rate borrowings:				
Bank loans and other borrowings	9.81	780,443	10.98	683,091
Obligations under finance leases				
— obligation under contractual finance lease	8.69	6,902	5.56	13,142
— obligation under deemed finance lease	46.26	4,236	—	—
Liability component of convertible bonds	14.96	541,147	15.25	548,607
Other loans	3.85	190,090	—	—
Total fixed rate borrowings		1,522,818		1,244,840

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 2018						As at 31 December 2017			
	Obligations under finance leases						Bank loans and other borrowings	Obligations under finance leases	Liability component of convertible bonds	Total
	— obligation under contractual finance lease	— obligation under deemed finance lease	Liability component of convertible bonds	Other loans	Total					
	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	780,084	6,392	247	69,471	-	856,194	682,560	12,451	95,171	790,182
After one year but within two years	359	360	389	471,676	-	472,784	391	360	453,436	454,187
After two years but within five years	-	150	3,600	-	190,090	193,840	140	331	-	471
	780,443	6,902	4,236	541,147	190,090	1,522,818	683,091	13,142	548,607	1,244,840

EXTENSION OF TERM OF CONVERTIBLE BONDS

In respect of the convertible bonds in the aggregate principal amount of HK\$115,000,000 issued by the Company under the subscription agreement signed on 9 April 2017 ("Tranche II Convertible Bonds"), the Tranche II Convertible Bonds in the principal amount of HK\$35,000,000, together with the interest accrued thereon, has been repaid by the Company on 12 April 2018. In addition, the Company is notified by Leading Sky Holdings Limited on 11 April 2018 that Leading Sky Holdings Limited has transferred the Tranche II Convertible Bonds in the principal amount of HK\$80,000,000 (the "Remaining Tranche II Convertible Bonds") to Peaceful Wealth International Limited (the "Transferee") and the Transferee has exercised its right to extend the maturity date of the Remaining Tranche II Convertible Bonds for one (1) year in accordance with the Tranche II Convertible Bonds terms and conditions. The Remaining Tranche II Convertible Bonds shall continue to be governed by the Tranche II Convertible Bonds terms and conditions. For detail, please refer to the announcement of the Company dated 12 April 2018.

ISSUANCE OF NEW SHARES UNDER GENERAL MANDATE

On 13 April 2018, the Company, Hongkong Fule International Investment Limited and Mianyang Fule Investment Co., Ltd. entered into a subscription agreement, pursuant to which the Company has agreed to issue and Hongkong Fule International Investment Limited has agreed to subscribe for 75,980,000 shares at a subscription price of HK\$4.80 per share, and Mianyang Fule Investment Co., Ltd. has agreed to guarantee the due and punctual performance by Hongkong Fule International Investment Limited of all of its obligations under the subscription agreement. The 75,980,000 subscription shares to be allotted and issued to Hongkong Fule International Investment Limited represent (i) approximately 3.08% of the issued share capital of the Company of 2,466,900,969 shares as at 13 April 2018; and (ii) approximately 2.99% of the Company's then issued share capital of 2,542,880,969 shares as enlarged by the issue and allotment of the subscription shares. As at the date of this report, the transaction has not yet been completed. For detail, please refer to the announcements of the Company dated 13 April 2018 and 23 April 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group's cash and cash equivalents (excluding pledged deposits of RMB46.2 million) amounted to RMB118.3 million (as at 31 December 2017: RMB109.6 million).

The Group's inventories increased by RMB136.0 million to RMB589.2 million (as at 31 December 2017: RMB453.2 million). During the six months ended 30 June 2018, the inventory turnover days were 9.7 days as compared with 8.9 days for the year ended 31 December 2017, reflecting a stable turnover of inventory.

Trade and bills receivables decreased by RMB38.5 million to RMB1,052.1 million (as at 31 December 2017: RMB1,091.2 million). During the six months ended 30 June 2018, the receivables turnover days were 20.1 days as compared with 18.0 days for the year ended 31 December 2017. The receivable turnover days slightly increased but still remains at a stable level.

Trade and bills payables increased by RMB257.1 million to RMB470.8 million as at 30 June 2018 (as at 31 December 2017: RMB213.7 million) while the payable turnover days were 6.4 days, compared with 4.1 days for the year ended 31 December 2017. The payable turnover days were relatively stable as compared with the year.

Management Discussion and Analysis

The Group's total interest-bearing borrowings increased by RMB278.0 million to RMB1,522.8 million as at 30 June 2018 (31 December 2017: RMB1,244.8 million). The increase was mainly due to the increase of bank loans and other borrowings and the proceeds of other loans. Other loans represented 50% of the cash consideration in the acquisition of Silver Eminent Group Limited ("Silver Eminent") and Value Link Development Limited ("Value Link") lent by the vendors to the Group after completion of the acquisitions in accordance with the respective sale and purchase agreements.

Bank loans and other borrowings included three entrusted loans totaled approximately RMB300.0 million from Mianyang Science Technology City Development Investment (Group) Co., Ltd. ("Mianyang Development Group"). Pursuant to the entrusted loan agreement signed among Mianyang Tongxin Copper Co., Ltd. ("Tongxin"), a wholly owned subsidiary of the Company, Mianyang Development Group and the entrusted bank, the entrusted loans expired on 27 August 2016, 23 September 2016 and 18 November 2016 respectively. Mianyang Development Group, the entrusted bank and Tongxin have agreed that, the entrusted loan would not be repayable until further agreed otherwise. As at 30 June 2018, the negotiation was still on going.

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

	As at 30 June 2018	As at 31 December 2017
Current ratio	1.6	1.8
Quick ratio	1.2	1.5
Debt to equity ratio*	91.7%	81.0%
Net debt to equity ratio#	84.6%	73.9%

* Total interest-bearing debts/Total equity.

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

The decrease of current ratio and quick ratio as at 30 June 2018 compared with those as at 31 December 2017 was primarily attributable to the increase in amount due to associates, which is interest free and repayable on demand.

The increase in debt to equity ratio and net debt to equity ratio as at 30 June 2018 compared with those as at 31 December 2017 was mainly because of the increase in other loans.

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 2018 RMB'000	As at 31 December 2017 RMB'000
Property, plant and equipment	228,798	214,419
Lease prepayments	44,676	91,853
Inventories	108,267	30,550
Deposits with guarantee companies	2,800	1,500
Deposits with banks	12,900	12,900
Deposit with lessor of finance leases	4,800	4,800
Deposit with other companies	30,466	29,037
	432,707	385,059

COMMODITY RISK

The major raw materials used in the production of our recycled copper products are scrap copper. We are exposed to fluctuations in the prices of raw materials as well as finished goods which are influenced by global as well as regional supply and demand conditions. Fluctuations in the copper prices could adversely affect our financial performance. The Group uses copper futures contracts to mitigate part of its exposure against price fluctuations of copper. The market value of futures contracts is based on the quoted market price as at the date of consolidated statement of financial position. The Group had outstanding copper futures contracts with a notional amount of RMB10.3 million as at 30 June 2018 (as at 31 December 2017: Nil). Net gain of RMB1.0 million was recognized for the six months ended 30 June 2018 (six months ended 30 June 2017: net gain of RMB0.6 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 certain cash and cash equivalents, the convertible bonds and other loans, all of which are denominated in HKD. The balance of cash and cash equivalents as at 30 June 2018 including HK\$5.9 million and USD9,188 (in total equivalent to approximately RMB5.0 million) were held in banks in Hong Kong.

As at 30 June 2018, the Group's bank loans and other borrowings and obligations under finance leases were denominated in RMB but the convertible bonds and other loans were denominated in HKD. The aggregate principal amount of the convertible bonds amounted to HK\$680 million (equivalent to approximately RMB575.5 million at the date of the issuance). The aggregate principal amount of other loans amounted to HK\$223.2 million. The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the six months ended 30 June 2018. During the six months ended 30 June 2018, the Company incurred an exchange difference on translation of financial statements of entities outside of mainland China entities equivalent to RMB14.0 million, part of which was resulted from translating the convertible bonds and other loans from HKD to RMB.

SIGNIFICANT INVESTMENTS HELD

Saved as disclosed elsewhere in this report, except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other companies during the six months ended 30 June 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 15 December 2017, the Company entered into a sale and purchase agreement with Yuanxin Ventures Limited ("Yuanxin"), pursuant to which the Company agreed to purchase, and Yuanxin agreed to sell, 100% of the issued share capital in Silver Eminent for an aggregate consideration of HK\$317,647,000, of which HK\$158,823,500 shall be settled in cash and HK\$158,823,500 shall be settled by way of allotment and issue of consideration shares. The consideration is subject to adjustment pursuant to an earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Yuanxin, 41,796,000 shares will be issued under the sale and purchase agreements. Such transaction has been completed in April 2018. Please refer to the announcements of the Company dated 15 December 2017 and 29 December 2017 for further details.

On 7 February 2018, the Company entered into a sale and purchase agreement with Sure Victor Global Limited (“Sure Victor”), pursuant to which the Company agreed to purchase, and Sure Victor agreed to sell, 100% of the issued share capital in Value Link for an aggregate consideration of HK\$741,175,000, of which HK\$287,647,000 shall be settled in cash and HK\$453,528,000 shall be settled by way of allotment and issue of consideration shares. The consideration is subject to adjustment pursuant to an earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Sure Victor, 94,485,000 shares will be issued under the sale and purchase agreement. Such transaction has been completed in April 2018. Please refer to the announcement of the Company dated 7 February 2018 for further details.

During the six months ended 30 June 2018, save as disclosed above, the Group did not have any material acquisition or disposal of subsidiaries and affiliated companies.

CAPITAL EXPENDITURES

For the six months ended 30 June 2018, the Group’s capital expenditures represent additions to property, plant and equipment (including construction in progress) and land use right of approximately RMB29.3 million (2017: RMB16.7 million). The capital expenditures were mainly financed from internal resources.

CAPITAL COMMITMENTS

As at 30 June 2018, 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 RMB59.5 million (as at 31 December 2017: RMB76.9 million).

CONTINGENT LIABILITIES

As disclosed in the section above headed “MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES”, the consideration in relation to the acquisition of 100% of the issued share capital in Silver Eminent is subject to adjustment pursuant to the earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Yuanxin, 41,796,000 shares will be issued under the sale and purchase agreement. At the acquisition date, the fair value of the contingent consideration payable of approximately HK\$19,716,000 (equivalent to approximately RMB15,783,000), representing approximately 3,843,000 shares to be issued, was estimated by the management in view of Silver Eminent’s latest operations. As of 30 June 2018, the number of shares to be issued in relation to the contingent consideration payable was reassessed to be the same as that at the acquisition date, as such, the Company had a contingent liability of approximately HK\$189,385,000 (equivalent to approximately RMB159,669,000), representing the difference of 37,953,000 shares between 41,796,000 shares and 3,843,000 shares, valued at the closing price of HK\$4.99 per share as at 30 June 2018.

As disclosed in the section above headed “MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES”, the consideration in relation to the acquisition of 100% of the issued share capital in Value Link is subject to adjustment pursuant to the earn-out arrangement. Assuming the maximum number of consideration shares is being allotted and issued to Sure Victor, 94,485,000 shares will be issued under the sale and purchase agreement. At the acquisition date, the fair value of the contingent consideration payable of approximately HK\$30,186,000 (equivalent to approximately RMB24,200,000), representing approximately 5,907,000 shares to be issued, was estimated by the management in view of Value Link’s latest operations. As of 30 June 2018, the number of shares to be issued in relation to the contingent consideration payable was reassessed to be the same as that at the acquisition date, as such, the Company had a contingent liability of approximately HK\$442,004,000 (equivalent to RMB372,653,000), representing the difference of 88,578,000 shares between 94,485,000 shares and 5,907,000 shares, valued at the closing price of HK\$4.99 per share as at 30 June 2018.

Save as disclosed above, the Group had no material contingent liabilities as at 30 June 2018.

EQUITY LINKED AGREEMENTS

SHARE OPTION SCHEME

Details of the Share Option Scheme of the Company are set out in the section below headed “SHARE OPTION SCHEMES”.

WARRANTS ISSUED IN 2015

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. Please refer to the announcement of the Company dated 19 December 2014 for further details.

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. Please refer to the announcement of the Company dated 5 February 2015 for further details.

Movements of the warrants during the six months ended 30 June 2018 are as follows:

Issue date of the warrants	Exercise price HK\$	Number of warrants held at 1 January 2018	Exercised	Number of warrants held at 30 June 2018	Funds raised from the exercise of warrants HK\$'000
19 January 2015	1.30	19,385,878	9,773,300	9,612,578	12,705
24 February 2015	1.50	8,328,072	8,328,072	–	12,492
		27,713,950	18,101,372	9,612,578	25,197

ISSUE OF CONVERTIBLE BONDS ON 12 APRIL 2017

On 12 April 2017, the Company issued convertible bonds with an aggregate principal amount of HK\$250,000,000. The convertible bonds bear a fixed interest rate of 12% with interest to be paid on a quarterly basis. The original maturity date of the convertible bonds is the first anniversary of the issue date, subject to the bondholder's right to extend the maturity date initially for a period of up to one year (the "Extended Maturity") and also for a period of up to one year after the Extended Maturity by notice in writing to the Company (the "Further Extended Maturity"). 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 from the first business day following the first anniversary of the issue date up to and including the day preceding the Extended Maturity of Further Extended Maturity at an initial conversion price of HK\$3.0 per share (subject to adjustment). Please refer to the announcements of the Company dated 9 April 2017 and 12 April 2017 for further details.

As disclosed in the announcement of the Company dated 11 August 2017, on the same day, the Company has redeemed the convertible bonds in the principal amount of HK\$135,000,000 (the "Early Redemption"). The Early Redemption was fully funded by the internal resources of the Group. The Early Redemption will enable the Company to restructure its portfolio debts in a more cost-efficient manner and accordingly, the Directors are of the view that the Early Redemption is in the interest of the Company and the shareholders as a whole.

Tranche II Convertible Bonds HK\$35,000,000 was repaid on 12 April 2018. Tranche II Convertible Bonds HK\$80,000,000 was extended for 1 year. Please refer to the announcement dated 12 April 2018 for further details.

ISSUE OF THE HUARONG CONVERTIBLE BONDS 2017

On 11 August 2017, the Company issued convertible bonds with an aggregate principal amount of HK\$400,000,000 to China Huarong International Holdings Limited (“Huarong”) (“Huarong CB 2017”). The convertible bonds bear a fixed interest rate of 8% 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\$2.99 per share (subject to adjustment). Please refer to the announcements of the Company dated 31 July 2017 and 11 August 2017 for further details.

On 8 August 2017, Epoch Keen Limited (“Epoch Keen”), a company wholly owned by Mr. Yu Jianqiu, entered into a share charge (“2017 Share Charge”) with Huarong, pursuant to which Epoch Keen charged 278,000,000 ordinary shares of the Company in favour of Huarong as security for the payment and discharge of obligations owing from the Company to Huarong pursuant to, amongst others, the subscription agreement of Huarong CB 2017. Please refer to the announcement of the Company dated 8 August 2017 for further details.

ISSUE OF THE PROSPER RICH CONVERTIBLE BONDS 2017

On 11 August 2017, the Company issued convertible bonds with an aggregate principal amount of HK\$200,000,000 to Prosper Rich Investments Limited (“Prosper Rich”). The convertible bonds bear a fixed interest rate of 8% 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\$2.99 per share (subject to adjustment). Please refer to the announcements of the Company dated 31 July 2017 and 11 August 2017 for further details.

The Directors are of the view that the above convertible bonds issue represented good opportunities for the Company to raise funds to strengthen its financial position and to finance the Group’s future development and expansion. 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.

SIGNING OF ANNUAL PROCUREMENT AGREEMENTS INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

On 15 August 2017, the Company entered into respective annual procurement agreements with four suppliers, pursuant to which each supplier agreed to supply a target amount of copper scrapped raw materials to the Company from 15 August 2017 to 14 August 2018, the purchase price of which shall be partly satisfied with cash and partly satisfied with consideration shares. For each ton of copper scrap raw materials supplied by a supplier, the Company will pay (i) up to RMB3,000 by way of issuance of a maximum number of 1,172 consideration shares at an Issue Price of HK\$3 per consideration share; and (ii) the remainder of the balance in cash. The arrangements under the annual procurement agreements are expected to encourage such suppliers to achieve the targeted raw material supply amount with a view to broadening the Group's supplier base to cater for the Group's production needs. As the targeted amount of supply of copper scrap raw materials from the suppliers is 56,000 tons in aggregate, the maximum number of consideration shares that the Company may issue pursuant to the annual procurement agreements is 65,632,000 shares. The consideration shares will be allotted and issued to the subscribers within 10 business days from 14 August 2018. Each of the subscribers is a wholly-owned company of the relevant supplier. Please refer to the announcement of the Company dated 15 August 2017 for further details.

On 15 June 2018, the Company entered into respective annual procurement agreements with fourteen suppliers, pursuant to which each supplier agreed to supply a target amount of copper scrapped raw materials to the Company from 16 June 2018 to 15 June 2019, the purchase price of which shall be partly satisfied with cash and partly satisfied with consideration shares. For each ton of copper scrap raw materials supplied by a supplier, the Company will pay (i) up to RMB3,000 by way of issuance of a maximum number of 734 consideration shares at an issue price of HK\$5 per consideration share; and (ii) the remainder of the balance in cash. The arrangements under the annual procurement agreements are expected to encourage such suppliers to achieve the targeted raw material supply amount with a view to broadening the Group's supplier base to cater for the Group's production needs. As the targeted amount of supply of copper scrap raw materials from the suppliers is 160,000 tons in aggregate, the maximum number of consideration shares that the Company may issue pursuant to the annual procurement agreements is 117,440,000 shares. The consideration shares will be allotted and issued to the subscribers within 10 business days from 15 June 2019. Each of the subscribers is a wholly-owned company of the relevant supplier. Please refer to the announcement of the Company dated 15 June 2018 for further details.

SIGNING OF SALE AND PURCHASE AGREEMENT INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

Details of the consideration shares under earn-out arrangements in the acquisitions of 100% issued share capital of Silver Eminent and Value Link are set out in the section above headed "MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES" in this report.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event subsequent to 30 June 2018 which would materially affect the Group's operating and financial performance as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2018, 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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO"), 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 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⁾	1,006,390,400	40.22%
Mr. Huang Weiping	Beneficial owner Interest in a controlled corporations ⁽³⁾	30,964,000 310,317,000	1.24% 12.40%
Mr. Kwong Wai Sun Wilson	Beneficial owner	3,272,600	0.13%

Notes:

- (1) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2018.
- (2) The shares were held by Mr. Yu Jianqiu, Chairman and an executive Director of the Company, together with Epoch Keen Limited, a company wholly-owned by Mr. Yu Jianqiu.
- (3) The shares were held by First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited. All these companies are 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 ⁽⁴⁾	667,000	0.03%
Ms. Zhu Yufen	Beneficial owner ⁽⁵⁾	3,334,000	0.13%
Mr. Kwong Wai Sun Wilson	Beneficial owner ⁽⁶⁾	5,000,000	0.20%
Mr. Lee Ting Bun Denny	Beneficial owner ⁽⁷⁾	1,000,000	0.04%
Mr. Pan Liansheng	Beneficial owner ⁽⁸⁾	1,000,000	0.04%
Ms. Ren Ruxian	Beneficial owner ⁽⁹⁾	1,000,000	0.04%

Notes:

- (4) These equity derivatives were share options granted to Mr. Huang Weiping under the Share Option Scheme of the Company on 2 July 2014. Please see the section headed "Share Option Scheme" for further details.
- (5) These equity derivatives were share options granted to Ms. Zhu Yufen under the Share Option Scheme of the Company on 2 July 2014. Please see the section headed "Share Option Scheme" for further details.
- (6) 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. Please see the section headed "Share Option Scheme" for further details.
- (7) These equity derivatives were share options granted to Mr. Pan Liansheng under the Share Option Scheme of the Company on 7 May 2015. Please see the section headed "Share Option Scheme" for further details.
- (8) 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. Please see the section headed "Share Option Scheme" for further details.
- (9) These equity derivatives were share options granted to Ms. Ren Ruxian under the Share Option Scheme of the Company on 31 May 2016. Please see the section headed "Share Option Scheme" for further details.

(3) SHORT POSITION IN THE UNDERLYING 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 ⁽¹⁰⁾	133,779,264	5.35%

Note:

- (10) Huarong and Prosper Rich have entered into the call option agreement on 31 July 2017 whereby Prosper Rich has a right to request for the acquisition of the Convertible Bonds in the principal amount of HK\$200,000,000 from Huarong for an amount equal to the principal amount of such Convertible Bonds plus a premium, provided, however, Huarong has a right to decline such request from Prosper Rich. In the event that Huarong turns down the call option request by Prosper Rich under the call option, pursuant to the backup call option agreement entered into between Epoch Keen Limited and Prosper Rich on 31 July 2017, Epoch Keen Limited has agreed to, amongst other things, grant Prosper Rich a call option over such number of Shares Prosper Rich would have been entitled to under the call option had Huarong consented to Prosper Rich's exercise of option, at a price per Shares equivalent to HK\$2.990 per share on the date of exercising the Call Option and in such case, pay Prosper Rich a fee. At the option of Epoch Keen Limited, Epoch Keen Limited may cash settle its obligations under the backup call option. Prosper Rich also can require the lending of certain Shares from Epoch Keen Limited upon occurrence of certain events.

Save as disclosed above, as at 30 June 2018, 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 2018.

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

At 30 June 2018, 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 underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

(1) LONG POSITION IN THE SHARES OF THE COMPANY

Name	Note	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholdings ⁽¹⁾
Hong Kong Zhongliang Recycling Mining Investments Limited	2	Beneficial owner	135,000,000	5.40%
Liangshan Mining and Metallurgy Investment Holding Corporation Limited	2	Interests in a controlled corporation	135,000,000	5.40%
Liangshan State-Owned Investment Development Limited	2	Interests in a controlled corporation	135,000,000	5.40%
State-Owned Assets Regulatory Commission of Liangshan Yi Autonomous Prefecture	2	Interests in a controlled corporation	135,000,000	5.40%
Zhang Huayi	3	Beneficial owner	73,760,000	2.95%
		Interests in a controlled corporation	81,546,600	3.26%

Notes:

- (1) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2018.
- (2) Hong Kong Zhongliang Recycling Mining Investments Limited is wholly-owned by Liangshan Mining and Metallurgy Investment Holding Corporation Limited, 74.00% equity interest of Liangshan Mining and Metallurgy Investment Holding Corporation Limited is held by Liangshan State-Owned Investment Development Limited; 62.00% equity interest of Liangshan State-Owned Investment Development Limited is held by State-Owned Assets Regulatory Commission of Liangshan Yi Autonomous Prefecture. Accordingly, each of Liangshan Mining and Metallurgy Investment Holding Corporation Limited, Liangshan State-Owned Investment Development Limited, State-Owned Assets Regulatory Commission of Liangshan Yi Autonomous Prefecture is deemed to be interested in the shares of the Company held by Hong Kong Zhongliang Recycling Mining Investments Limited.
- (3) The shares were held by Silvery Boom Limited, which was wholly owned by Zhang Huayi.

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

Name	Note	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholdings ⁽¹⁾
Mianyang Science Technology City Development Investment (Group) Co., Ltd.	4	Persons having a security interests in shares	310,317,000	12.40%
China Huarong Asset Management Co., Ltd	5	Interests in a controlled corporation	411,779,264	16.46%

Notes:

- (4) 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 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.
- (5) Pursuant to Huarong CB 2017, assuming full conversion of the convertible bonds at an initial conversion price of HK\$2.99 per share, the convertible bonds will be convertible into approximately 133,779,264 new shares (subject to adjustment).

On 8 August 2017, Epoch Keen Limited entered into a share charge with Huarong pursuant to which Epoch Keen Limited charged 278,000,000 shares in favour of the Huarong as security for the payment and discharge of obligations owing from the Company to the Investor pursuant to, amongst others, the Investor Subscription Agreement and the convertible bonds.

According to the disclosure forms filed by China Huarong Asset Management Co., Ltd. on 25 September 2017, the following interest in shares of the Company were held as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Number of shares
Huarong Real Estate Co., Ltd.	China Huarong Asset Management Co., Ltd.	100	N	Long position 411,779,264
Huarong Zhiyuan Investment & Management Co. Ltd.	China Huarong Asset Management Co., Ltd.	100	N	Long position 411,779,264
Huarong	Huarong Real Estate Co., Ltd.	88.1	Y	Long position 411,779,264
Huarong	Huarong Zhiyuan Investment & Management Co. Ltd.	11.9	Y	Long position 411,779,264

(3) SHORT POSITIONS IN THE UNDERLYING SHARES OF THE COMPANY:

Name	Capacity in which Note interests are held	Number of shares held	Approximate percentage of shareholdings⁽¹⁾
China Huarong Asset Management Co., Ltd.	6 Interests in a controlled Corporation	66,889,632	2.67%

Note:

- (6) Huarong and Prosper Rich have entered into the call option agreement on 31 July 2017 whereby Prosper Rich has a right to request for the acquisition of the convertible bonds in the principal amount of HK\$200,000,000 from Huarong for an amount equal to the principal amount of such convertible bonds plus a premium, provided, however, Huarong has a right to decline such request from Prosper Rich.

According to the disclosure forms filed by China Huarong Asset Management Co., Ltd. on 25 September 2017, the following interest in shares of the Company were held as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Number of shares
Huarong Real Estate Co., Ltd.	China Huarong Asset Management Co., Ltd.	100	N	Short position 66,889,632
Huarong Zhiyuan Investment & Management Co. Ltd.	China Huarong Asset Management Co., Ltd.	100	N	Short position 66,889,632
Huarong	Huarong Real Estate Co., Ltd.	88.1	Y	Short position 66,889,632
Huarong	Huarong Zhiyuan Investment & Management Co. Ltd.	11.9	Y	Short position 66,889,632

Other than as disclosed above, as at 30 June 2018, 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. The Scheme Mandate Limit was refreshed by a resolution passed at the annual general meeting held on 9 June 2015.

Details of share options granted, exercised, 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			Number of share options held at 30 June 2018	Exercise period	Price of the share of the Company at the grant date of share options	Price of the share of the Company at the grant date of share options	
		Number of share options held at 1 January 2018	Granted	Exercised					Lapsed/Cancelled
Directors									
Mr. Huang Weiping	2 July 2014	667,000	-	-	-	667,000	2 July 2014 to 1 July 2024	1.13	1.07
Ms. Zhu Yufen	2 July 2014	3,334,000	-	-	-	3,334,000	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									
Eligible persons other than directors	2 July 2014	26,753,000	-	(17,282,000)	(1,544,000)	7,927,000	2 July 2014 to 1 July 2024	1.13	1.07
Eligible persons other than directors	7 May 2015	88,600,000	-	-	(6,600,000)	82,000,000	7 May 2015 to 6 May 2025	1.68	1.68
Eligible persons other than directors	31 May 2016	31,080,000	-	-	(340,000)	30,740,000	31 May 2016 to 30 May 2026	3.66	3.05
Eligible persons other than directors	12 December 2017	29,564,000	-	-	-	29,564,000	12 December 2017 to 11 December 2022	3.70	3.70
Total		187,998,000	-	(17,282,000)	(8,484,000)	162,232,000			

VALUE OF SHARE OPTIONS

The fair value of the relevant share options granted 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		31 May 2016		12 December 2017	
	Share options granted to		Share options granted to		Share options granted to		Share options granted to	
	Executive directors	Other employees	Executive directors	Other employees	Executive directors	Other employees	Certain eligible participants	Certain eligible participants
Fair value at measurement date (HK\$)	0.44	0.39	0.71	0.58	1.22	1.17	1.45	1.45
Share price (HK\$)	1.07	1.07	1.68	1.68	3.05	3.05	3.05	3.70
Exercise price (HK\$)	1.13	1.13	1.68	1.68	3.66	3.66	3.66	3.70
Expected volatility	45.54%	45.54%	46.20%	46.20%	50.00%	50.00%	50.00%	41.61%
Expected life	10 years	10 years	10 years	10 years	10 years	10 years	10 years	6.3 years
Expected dividends	3%	3%	3%	3%	1.47%	1.47%	1.47%	0.92%
Risk-free interest rate based on Hong Kong Exchange Fund Notes)	2.059%	2.059%	1.745%	1.745%	1.286%	1.286%	1.286%	1.642%
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, 31 May 2016 and 12 December 2017. 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 2018.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER PURSUANT TO RULE 13.17 OF THE LISTING RULES

On 8 August 2017, Epoch Keen entered into 2017 Share Charge with Huarong. Please refer to “ISSUE OF THE HUARONG CONVERTIBLE BONDS 2017” under “EQUITY LINKED AGREEMENTS” in this report and the announcement of the Company dated 8 August 2017 for further details.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the six months ended 30 June 2018.

CORPORATE GOVERNANCE

During the six months ended 30 June 2018, the Company has applied the principles of and is in compliance with all code provisions of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules save as disclosed below.

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.

Code provision A.6.7 provides that the independent non-executive Directors and non-executive Directors should attend general meetings of the Company. Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Due to other business engagements, two executive Directors and an independent non-executive Director were not able to attend the annual general meeting of the Company held on 6 June 2018. In the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors can attend the general meetings.

CHANGE IN DIRECTORS' BIOGRAPHIES PURSUANT TO RULE 13.51B OF THE LISTING RULES

Ms. Ren Ruxian ceased to be the chief financial officer of a technology company focused on early-childhood education in China during the six months ended 30 June 2018.

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 six months ended 30 June 2018.

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 Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2018.

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, 27 August 2018

Consolidated Statement of Profit or Loss

(Expressed in Renminbi) For the six months ended 30 June 2018 — unaudited

	Note	2018 RMB'000	2017 RMB'000
Revenue	3	9,658,380	4,208,903
Cost of sales		(9,712,100)	(4,166,142)
Gross (loss)/profit		(53,720)	42,761
Other revenue	5(a)	219,561	131,255
Other net income	5(b)	59,671	96,641
Distribution costs		(8,965)	(9,247)
Administrative expenses		(54,134)	(88,153)
Profit from operations		162,413	173,257
Finance costs	6(a)	(70,249)	(62,972)
Profit before taxation	6	92,164	110,285
Income tax	7	(31,931)	(24,831)
Profit for the period		60,233	85,454
Attributable to:			
Equity shareholders of the Company		60,233	85,454
Non-controlling interests		—	—
Profit for the period		60,233	85,454
Earnings per share	8		
Basic (RMB)		0.02	0.04
Diluted (RMB)		0.02	0.04

The notes on pages 40 to 68 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(Expressed in Renminbi) For the six months ended 30 June 2018 — unaudited

	2018 RMB'000	2017 RMB'000
Profit for the period	60,233	85,454
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss (net of tax):</i>		
Exchange differences on translation of financial statements of non-PRC entities	(14,046)	(31)
Total comprehensive income for the period	46,187	85,423
Attributable to:		
Equity shareholders of the Company	46,187	85,423
Non-controlling interests	—	—
Total comprehensive income for the period	46,187	85,423

The notes on pages 40 to 68 form part of this interim financial report.

Consolidated Statement of Financial Position

(Expressed in Renminbi) At 30 June 2018 — unaudited

	Note	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment	9	623,586	568,460
Lease prepayments		105,782	95,672
Interest in associates		181,304	166,810
Provisional goodwill		419,583	23,227
Pledged deposits		4,800	4,800
Other non-current assets		27,894	31,846
Deferred tax assets		13,867	20,039
		1,376,816	910,854
Current assets			
Inventories	10	589,242	453,169
Trade and other receivables	11	2,017,492	1,875,549
Amounts due from associates		5,790	6,221
Amounts due from related parties		10	10
Pledged deposits		46,166	43,437
Cash and cash equivalents	12	118,264	109,595
		2,776,964	2,487,981
Current liabilities			
Trade and other payables	13	789,385	570,296
Obligations under finance leases		6,639	12,451
Bank loans and other borrowings	14	780,084	682,560
Amounts due to associates		98,024	4,638
Liability component of convertible bonds	15	69,471	95,171
Current taxation		36,156	36,481
		1,779,759	1,401,597
		997,205	1,086,384
Net current assets/(liabilities)			
		2,374,021	1,997,238
Total assets less current liabilities			

The notes on pages 40 to 68 form part of this interim financial report.

Consolidated Statement of Financial Position

(Expressed in Renminbi) At 30 June 2018 — unaudited

	Note	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current liabilities			
Bank loans and other borrowings	14	359	531
Obligations under finance leases		4,499	691
Liability component of convertible bonds	15	471,676	453,436
Other loans	16	190,090	–
Contingent consideration liability		41,021	–
Deferred tax liability		662	–
Deferred government grants		5,640	6,204
		713,947	460,862
NET ASSETS			
		1,660,074	1,536,376
CAPITAL AND RESERVES			
Share capital	17	200,351	197,495
Reserves		1,459,723	1,338,881
TOTAL EQUITY			
		1,660,074	1,536,376

The notes on pages 40 to 68 form part of this interim financial report.

Consolidated Statement of Changes in Equity

(Expressed in Renminbi) At 30 June 2018 — unaudited

	Attributable to equity shareholders of the Company													
	Note	Share capital	Share premium	Exchange reserve	Capital reserve	Statutory reserves	Share-based payment reserve	Warrant reserve	Convertible bonds equity reserve	Consideration Share reserve	Retained profits/(accumulated losses)	Total	Non-controlling interests	Total equity
		(Note 16(b))	(Note 16(d))			(Note 16(c))	(Note 16(e))		(Note 16(f))					
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018		197,495	1,016,229	(11,529)	132,055	87,128	81,270	12,079	40,496	48,970	(68,017)	1,536,376	-	1,536,376
Changes in equity for the six months ended 30 June 2018:														
Profit for the period		-	-	-	-	-	-	-	-	-	60,233	60,233	*	60,233
Other comprehensive income		-	-	(14,046)	-	-	-	-	-	-	-	(14,046)	*	(14,046)
Total comprehensive income		-	-	(14,046)	-	-	-	-	-	-	60,233	46,187	-	46,187
Issuance of ordinary shares	16(b)	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of share options	16(b)	1,394	19,730	-	-	-	(5,374)	-	-	-	-	15,750	-	15,750
Equity settled share-based transactions	16(e)	-	-	-	-	-	5,038	-	-	-	-	5,038	-	5,038
Share options lapsed	15(a)	-	-	-	-	-	(2,671)	-	-	-	2,671	-	-	-
Exercise of warrant		1,462	27,412	-	-	-	-	(8,519)	-	-	-	20,355	-	20,355
Issuance of consideration shares		-	-	-	-	-	-	-	36,525	-	-	36,525	-	36,525
Appropriation of statutory reserve		-	-	-	-	8,262	-	-	-	-	(8,262)	-	-	-
Repayment of convertible bonds		-	-	-	-	-	-	-	(157)	-	-	(157)	-	(157)
Balance at 30 June 2018		200,351	1,063,371	(25,575)	132,055	95,390	78,263	3,560	40,539	85,495	(13,375)	1,660,074	-	1,660,074

The notes on pages 40 to 68 form part of this interim financial report.

Consolidated Statement of Changes in Equity

(Expressed in Renminbi) At 30 June 2018 — unaudited

Attributable to equity shareholders of the Company												
Note	Share capital	Share premium	Exchange reserve	Capital reserve	Statutory reserves	Share-based payment reserve	Warrant reserve	Convertible bonds equity reserve	Retained profits/(accumulated losses)	Total	Non-controlling interests	Total equity
	(Note 16(b))	(Note 16(d))			(Note 16(c))	(Note 16(e))		(Note 16(f))				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017	182,579	602,992	(15,426)	132,055	80,917	59,680	12,079	-	(247,168)	807,708	-	807,708
Changes in equity for the six months ended 30 June 2017:												
Profit for the period	-	-	-	-	-	-	-	-	85,454	85,454	-	85,454
Other comprehensive income	-	-	(31)	-	-	-	-	-	-	(31)	-	(31)
Total comprehensive income	-	-	(31)	-	-	-	-	-	85,454	85,423	-	85,423
Issuance of ordinary shares	16(b)	6,455	162,523	-	-	-	-	-	-	168,978	-	168,978
Exercise of share options	16(d)	398	9,035	-	-	(841)	-	-	-	8,592	-	8,592
Equity settled share-based transactions	16(e)	-	-	-	-	16,411	-	-	-	16,411	-	16,411
Share options lapsed		-	-	-	-	(666)	-	-	666	-	-	-
Conversion of convertible bonds to equity	15(a)	8,063	241,075	-	-	-	-	-	-	249,138	-	249,138
Issuance of convertible bonds	15(d)	-	-	-	-	-	-	1,119	-	1,119	-	1,119
Balance at 30 June 2017	197,495	1,015,625	(15,457)	132,055	80,917	74,584	12,079	1,119	(161,048)	1,337,369	-	1,337,369

The notes on pages 40 to 68 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

(Expressed in Renminbi) At 30 June 2018 — unaudited

Note	2018 RMB'000	2017 RMB'000
Operating activities		
Cash generated from/(used) in operations The People's Republic of China ("PRC")	127,208	(10,734)
Corporate Income Tax paid	(25,422)	(13,163)
Net cash generated from/(used) in operating activities	101,786	(23,897)
Investing activities		
Payment for purchase of property, plant and equipment and land use right	(29,327)	(16,650)
Increase in pledged deposits	(1,428)	(3)
Interest received	191	284
Consideration paid for acquisition of subsidiaries	(357,568)	-
Net cash used in investing activities	(388,132)	(16,369)

The notes on pages 40 to 68 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

(Expressed in Renminbi) At 30 June 2018 — unaudited

	Note	2018 RMB'000	2017 RMB'000
Financing activities			
Proceeds from bank loans and other borrowings	14	237,224	241,651
Repayment of bank loans and other borrowings	14	(139,872)	(340,643)
Repayment of sale and leaseback arrangement		(7,172)	(6,361)
Proceeds from advances from local government		–	5,240
(Increase)/decrease in pledged deposits		(1,300)	5,270
Interest paid		(73,580)	(47,416)
Advance/(repayment to) from related parties		90,418	(5,965)
Proceeds from other loans		181,446	–
Net proceeds from issuance of ordinary shares	16(b)	–	168,978
Net proceeds from issuance of convertible bonds	15(b)	–	215,139
Proceeds from exercise of share options	16(b)	15,749	8,592
Proceeds from exercise of warrants		20,356	–
Repayment of convertible bonds	15(a)	(28,173)	(112,141)
Guarantee fee and other charges		(500)	–
Net cash generated from financing activities		294,596	132,344
Net increase in cash and cash equivalents		8,250	92,078
Cash and cash equivalents at 1 January		109,595	164,142
Effect of foreign exchange rate changes		419	(545)
Cash and cash equivalents at 30 June		118,264	255,675

The notes on pages 40 to 68 form part of this interim financial report.

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 on The Stock Exchange of Hong Kong Limited, 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 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 unaudited 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 2017 annual financial statements. The unaudited 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.

1 GENERAL INFORMATION AND BASIS OF PREPARATION (continued)

(b) BASIS OF PREPARATION (continued)

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Group's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory annual consolidated financial statements for the year ended 31 December 2017 are available from the Group's registered office.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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, 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:

	For the six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Sales from trading of electrolytic copper	6,707,436	3,068,646
Sales of recycled copper products	2,819,678	1,109,265
Sales of power transmission and distribution cables	16,669	4,182
Sales of communication cables	23,234	14,785
Sales of scrap steel	3,108	–
Sales of scrap materials	40,399	11,257
Contract manufacturing income	371	768
Trading of other metal	47,485	–
	9,658,380	4,208,903

Two customers (six months ended 30 June 2017: one) of the Group contributed more than 10% of the Group's total revenue for the six months ended 30 June 2018.

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 2018.

- (i) Recycled copper products segment: use of scrap copper and electrolytic copper for the manufacturing of recycled copper products and trading 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;
- (iv) Aluminium products segment: sales of aluminium products; and
- (v) Scrap steel products segment: sales of scrap steel 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 profit is "profit after taxation". To arrive at reportable segment profit, the Group's profit/(loss) 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 periods is set out below:

	For the six months ended 30 June 2018					
	Recycled copper products RMB'000	Power transmission and distribution cables RMB'000	Communication cables RMB'000	Aluminium products RMB'000	Scrap steel RMB'000	Total RMB'000
Revenue from external customers	9,615,369	16,669	23,234	-	3,108	9,658,380
Inter-segment revenue	120,724	289	7,181	-	-	128,194
Reportable segment revenue	9,736,093	16,958	30,415	-	3,108	9,786,574
Reportable segment profit	141,283	(2,878)	4,408	-	(195)	142,618

	For the six months ended 30 June 2017					
	Recycled copper products RMB'000	Power transmission and distribution cables RMB'000	Communication cables RMB'000	Aluminium products RMB'000	Scrap steel RMB'000	Total RMB'000
Revenue from external customers	4,189,936	4,182	14,785	-	-	4,208,903
Inter-segment revenue	12,646	73	-	-	-	12,719
Reportable segment revenue	4,202,582	4,255	14,785	-	-	4,221,622
Reportable segment profit	108,154	29,165	(2,711)	(344)	-	134,264

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING (continued)

(b) RECONCILIATIONS OF REPORTABLE SEGMENT PROFIT OR LOSS

	For the six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Profit		
Reportable segment profit	142,618	134,264
Unallocated head office and corporate expenses	(96,879)	(48,500)
Share of profit/(loss) from associates	14,494	(310)
Consolidated profit after taxation	60,233	85,454

(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.

5 OTHER REVENUE AND OTHER NET INCOME

(a) OTHER REVENUE

	For the six months ended 30 June	
	2018 RMB'000	2017 RMB'000
VAT refunds		
— Comprehensive utilisation of resources (note (i))	76,231	39,557
— Others	5,666	—
Government grants (note (ii))	60,490	42,414
Government subsidies (note (iii))	76,983	49,000
Interest income	191	284
	219,561	131,255

5 OTHER REVENUE AND OTHER NET INCOME (continued)

(a) OTHER REVENUE (continued)

Notes:

- (i) Pursuant to 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)) issued on 12 June 2015, certain subsidiaries of the Company are entitled to VAT refunds at 30% of the net VAT paid/payable effective from 1 July 2015.
- (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 2018, the Group was granted unconditional government subsidies of RMB76,983,000 (six months ended 30 June 2017: RMB49,000,000) 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.

(b) OTHER NET INCOME

	For the six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Change in fair value of derivative component of convertible bonds	(527)	(4,815)
Reversal of provision for bad debt	52,441	99,790
Impairment loss of trade debtors and bills receivable	(745)	(2,853)
Others	8,502	4,519
	59,671	96,641

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

	2018 RMB'000	2017 RMB'000
(a) Finance costs		
Interest on bank loans and other borrowings	28,052	31,728
Interest on other loans	1,813	-
Finance charges on obligation under finance lease	533	797
Interest on convertible bonds	39,351	27,617
Guarantee fees and other charges	500	2,830
	70,249	62,972
(b) Other items		
Cost of inventory	9,712,100	4,166,142
Staff costs	60,616	31,539
Depreciation of property, plant and equipment	18,864	17,359
Amortisation of lease prepayments	1,136	1,050
Write-down of inventories	6,733	-
Reversal of write-down of inventories	-	(5,288)
Research and development costs	978	537

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

	2018 RMB'000	2017 RMB'000
Current tax — PRC Corporate Income Tax		
Provision for the period	24,796	13,978
Under/(over)-provision in respect of prior years	269	(2,586)
Deferred tax	25,065	11,392
Origination and reversal of temporary differences	6,866	13,439
	31,931	24,831

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 applicable for each subsidiary.

8 EARNINGS PER SHARE

(a) BASIC

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB60,233,000 (six months ended 30 June 2017: RMB85,454,000) and the weighted average number of 2,493,972,097 ordinary shares (six months ended 30 June 2017: 2,346,330,259 shares) issued during the interim period.

(b) DILUTED

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB60,233,000 (six months ended 30 June 2017: RMB85,454,000) and the weighted average number of ordinary shares of 2,589,422,781 after adjusting for the options and warrants issued during 2014 to 2017 (six months ended 30 June 2017: 2,423,746,223 shares).

9 PROPERTY, PLANT AND EQUIPMENT

(a) ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2018, the Group's additions to property, plant and equipment amounted to RMB68,468,000 (six months ended 30 June 2017: RMB5,334,000). No material disposal of property, plant and equipment was made during the six months ended 30 June 2018 and 2017.

(b) All of the Group's property, plant and equipment are located in the PRC. As at 30 June 2018, property, plant and equipment with net book value of RMB228,798,000 (31 December 2017: RMB214,419,000) were pledged for certain banking facilities granted to the Group (see note 14(b)).

10 INVENTORIES

As at 30 June 2018, inventories of RMB108,267,000 (31 December 2017: RMB30,550,000) were pledged for banking facilities granted to the Group (see note 14(b)).

During the six months ended 30 June 2018, RMB6,733,000 (six months ended 30 June 2017: reversal of write-down RMB5,288,000) 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 a write-down of inventories to estimated net realisable value. This write-down arose due to the decrease in the estimated net realisable value of copper products inventories as a result of a change in copper market price.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 TRADE AND OTHER RECEIVABLES

As at the end of the reporting period, 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 2018 RMB'000	31 December 2017 RMB'000
Within 30 days	542,833	615,758
31 to 60 days	182,711	318,384
61 to 180 days	132,700	109,630
Over 180 days	194,477	47,426
Trade debtors and bills receivable, net of allowance for doubtful debts	1,052,721	1,091,198
Advance payments to suppliers	728,446	609,823
Government grants receivable	37,869	63,865
Other deposits, prepayments and receivables	198,456	110,663
	2,017,492	1,875,549

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

(b) IMPAIRMENT LOSS OF TRADE DEBTORS AND BILLS RECEIVABLE

The movement in the allowance for impairment loss during the period, including both specific and collective loss components, is as follows:

	Six months ended 30 June 2018 RMB'000	Year ended 31 December 2017 RMB'000
At 1 January	109,927	237,384
Reversal of provision for bad debts	(52,441)	(143,247)
Impairment loss recognised	745	15,790
As at the end of the reporting period/year	58,231	109,927

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

12 CASH AND CASH EQUIVALENTS

	30 June 2018 RMB'000	31 December 2017 RMB'000
Cash at bank and in hand and cash and equivalents in the consolidated statement of financial position and in the cash flow statement	118,264	109,595

13 TRADE AND OTHER PAYABLES

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 30 days	316,889	179,469
31 to 60 days	2,586	3,301
61 to 180 days	143,493	5,366
Over 180 days	7,870	25,522
Total creditors and bills payable	470,838	213,658
Receipts in advance	25,974	3,780
Accrued expenses and other payables	292,573	352,858
	789,385	570,296

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

14 BANK LOANS AND OTHER BORROWINGS

(a) As at 30 June 2018, the analysis of borrowings is as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Secured bank loans	220,800	219,500
Other borrowings	260,527	164,475
Entrusted loans		
— secured	299,116	299,116
— unsecured	—	—
	780,443	683,091
Represented by:		
Within 1 year or on demand	780,084	682,560
After 1 year but within 2 years	359	531
	780,443	683,091

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

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Property, plant and equipment (note 9(b))	228,798	214,419
Lease prepayments	44,676	91,853
Inventories (note 10)	108,267	30,550
Pledged deposits	41,400	41,400
	423,141	378,222

15 CONVERTIBLE BONDS

(a) CONVERTIBLE BONDS ISSUED ON 12 APRIL 2017 (“THE 2017 CBS”):

On 12 April 2017, the Company issued convertible bonds with an aggregate principal amount of HK\$250,000,000 (equivalent to approximately RMB221,793,000) in two tranches, tranche I amounted to HK\$135,000,000 and tranche II amounted to HK\$115,000,000. The Company incurred transactions cost of approximately HK\$7,500,000 (equivalent to approximately RMB6,654,000) for the issue of the 2017 CBS. For details, please refer to the Company’s announcement on 9 April 2017. Major terms of the 2017 CBS are as below:

- (i) The 2017 CBS carry 12% coupon interest per annum payable in arrears quarterly. Unless redeemed or repurchased early, the original maturity date of the 2017 CBS is the first anniversary of the issue date (the “Original Maturity Date”), subject to the bondholder’s right to extend the maturity date initially for a period of up to one year (the “Extended Maturity”) and also for a period of up to one year after the Extended Maturity by notice in writing to the Company (the “Further Extended Maturity”). If the 2017 CBS are not fully converted before the maturity date, the Company will redeem all the outstanding convertible bonds plus the interest accrued but unpaid to the bondholder.
- (ii) If the average closing share price of the Company during any six consecutive months within the period commencing from issuance date on 12 April 2017 to the maturity date has never, at any point of time, reached or exceeded the conversion price, the Company shall, upon redemption of the 2017 CBS, 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.
- (iii) Commencing from the third month after the issue date to the maturity date, the Company may with the consent from the bondholder, request for early redemption of the outstanding tranche I of the 2017 CBS in the principal amount of HK\$135,000,000, in whole or in part. Upon redemption due to such event, the Company shall compensate the bondholder in cash so that such bondholder is guaranteed an annualised return of 12% for the period commencing from the issue date to the date of early redemption.

15 CONVERTIBLE BONDS (continued)

(a) CONVERTIBLE BONDS ISSUED ON 12 APRIL 2017 (“THE 2017 CBS”): (continued)

- (iv) If the aggregate shareholding of the management level shareholders in Company is less than 30% of the entire share capital of the Company on a fully diluted basis, or on any trading day, the average closing price of the Company is lower than 50% of the closing price of the Company on the issue date, the bondholder may request for early redemption.

- (v) The bondholder has the right to convert the principal amount of the 2017 CBS into ordinary shares of HK\$0.1 each of the Company from the first business day following the first anniversary of the issue date up to and including the day preceding the Extended Maturity or Further Extended Maturity at an initial conversion price of HK\$3.0 per share but subject to adjustments at any time during the term of the 2017 CBS, subject to the minimum public float requirement.

The 2017 CBS contain two components, the liability and equity components. The initial total fair value of the two components was determined based on gross proceeds at issuance. The initial fair value of the liability component was estimated to be approximately RMB214,020,000 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 2017 CBS. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The effective interest rate of the liability component of the 2017 CBS is 16% per annum. The residual amount, representing the value of the equity component at approximately RMB1,119,000, was presented in equity under the heading “convertible bonds equity reserve”.

15 CONVERTIBLE BONDS (continued)**(a) CONVERTIBLE BONDS ISSUED ON 12 APRIL 2017 (“THE 2017 CBS”): (continued)**

Fair value of the liability 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
Stock price	HK\$3.09
Exercise price	HK\$3.00
Expected volatility	39%
Dividend yield	0%
Option life	12 months
Risk free rate	0.97%

Pursuant to the terms and conditions, commencing from the third month after the issue date to the maturity date, the Company may notify the bondholder for early redemption of the outstanding Convertible Bonds in the principal amount of HK\$135,000,000. In the event of such early redemption, the Company would compensate the bondholder an annualized return of 12%, which is equal to the interest rate, for the period commencing from the issue date to the date of early redemption.

The Company redeemed the April 2017 CBS Tranche I in the principal amount of HK\$135,000,000 on 11 August 2017.

The Company redeemed the April 2017 CBS Tranche II in the principal amount of HK\$35,000,000 on 12 April 2018.

15 CONVERTIBLE BONDS (continued)

(a) CONVERTIBLE BONDS ISSUED ON 12 APRIL 2017 (“THE 2017 CBS”): (continued)

The movements of the components of the 2017 CBs since the issuance date are set out below:

	Tranche I		Tranche II		Remaining Tranche II		Total
	Liability component	Equity component	Liability component	Equity component	Liability component	Equity component	
	(At amortised cost)	(Residual amount)	(At amortised cost)	(Residual amount)	(At amortised cost)	(Residual amount)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At the date of issue	115,571	604	98,449	515	-	-	215,139
Interest charge	8,747	-	11,067	-	-	-	19,814
Interest paid	(4,671)	-	(8,569)	-	-	-	(13,240)
Exchange realignment	(4,578)	-	(5,776)	-	-	-	(10,354)
Repayment in 2017	(115,069)	(604)	-	-	-	-	(115,673)
At 31 December 2017	-	-	95,171	515	-	-	95,686
Interest charge	-	-	4,104	-	1,951	-	6,055
Interest paid	-	-	(24,597)	-	-	-	(24,597)
Exchange realignment	-	-	17,377	-	3,482	-	20,859
Repayment in 2018	-	-	(28,017)	(157)	-	-	(28,174)
Transfer to Remaining Tranche II							
Convertible Bonds	-	-	(64,038)	(358)	64,038	358	-
At 30 June 2018	-	-	-	-	69,471	358	69,829

The Board announces that, the Tranche II Convertible Bonds in the principal amount of HK\$35,000,000, together with the interest accrued thereon, has been repaid by the Company on 12 April 2018. In addition, the Company is notified by the Investor on 11 April 2018 that the Investor has transferred the Tranche II Convertible Bonds in the principal amount of HK\$80,000,000 (the “Remaining Tranche II Convertible Bonds”) to Peaceful Wealth International Limited (the “Transferee”) and the Transferee has exercised its right to extend the maturity date of the Remaining Tranche II Convertible Bonds for one (1) year in accordance with the Tranche II Terms and Conditions.

15 CONVERTIBLE BONDS (continued)

(b) THE CONVERTIBLE BONDS ISSUED ON 11 AUGUST 2017 (“THE AUGUST 2017 CBS”):

On 11 August 2017, the Company issued August 2017 CBS with an aggregate principal amount of HK\$600,000,000 (equivalent to approximately RMB511,416,000) at face value. The Company incurred transactions cost of approximately HK\$18,000,000 (equivalent to approximately RMB15,343,000) for the issue of the August 2017 CBS. For details, please refer to the Company’s announcement on 31 July 2017. Major terms of the August 2017 CBS are as below:

- (i) The August 2017 CBS carry 8% coupon interest per annum payable in arrears quarterly. Unless redeemed or repurchased early, the original maturity date of the August 2017 CBS is the second anniversary of the issue date (the “Maturity Date”). If the August 2017 CBS are not fully converted before the Maturity Date, the Company will redeem all the outstanding convertible bonds at nominal value plus the interest accrued but unpaid to the bondholder.
- (ii) If the average closing share price of the Company during any six consecutive months within the period commencing from the issue date to the Maturity Date has never, at any point of time, reached or exceeded the conversion price of August 2017 CBS, the Company shall, upon redemption of August 2017 CBS amounting to HK\$400,000,000, compensate the bondholders in cash so that the bondholder of such HK\$400,000,000 2017 August CBS is guaranteed an annualised return of 12% for the period commencing from the issue date to the date of redemption.
- (iii) The bondholder has the right to convert the principal amount of the August 2017 CBS into ordinary shares of HK\$0.1 each of the Company on any business day from the issue date up to and including the Maturity Date at an initial conversion price of HK\$3.0 per share but subject to adjustments at any time during the term of the August 2017 CBS, subject to the minimum public float requirement.

15 CONVERTIBLE BONDS (continued)**(b) THE CONVERTIBLE BONDS ISSUED ON 11 AUGUST 2017 (“THE AUGUST 2017 CBS”): (continued)**

The August 2017 CBs contain two components, the liability and equity components. The initial fair value of the two components was determined based on gross proceeds at issuance. The initial fair value less allocated transaction costs of the host liability was estimated to be approximately RMB448,959,000 as at the issuance date of using the Monte Carlo Model and Discounted Cash Flow Method, taking into account the terms and conditions of the August 2017 CBs. In subsequent periods, the liability component is measured at amortised cost using effective interest rate method. The effective interest rate of the liability component of the August 2017 CBs is 15.23% per annum. The redemption compensation right is initially and subsequently measured at fair value of RMB6,933,000. The residual amount less allocated transaction costs representing the value of the equity component of approximately RMB40,181,000, was presented in equity under the heading “convertible bonds equity reserve”.

Fair value of the liability component was determined using the Monte Carlo Model and Discounted Cash Flow Method and the major inputs into the model are as follows:

	At issue date
Stock price	HK\$4.83
Exercise price	HK\$2.99
Expected volatility	29.27%
Dividend yield	0%
Option life	24 months
Risk free rate	0.89%

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15 CONVERTIBLE BONDS (continued)

(b) THE CONVERTIBLE BONDS ISSUED ON 11 AUGUST 2017 (“THE AUGUST 2017 CBS”): (continued)

The movements of the components of the August 2017 CBs since the issuance date are set out below:

	Liability component		Equity component	Total
	Host liability	Redemption compensation right	(Residual amount)	
	(At amortised cost)	(At fair value)	(Residual amount)	
	RMB'000	RMB'000	RMB'000	RMB'000
At the date of issue	448,959	6,993	40,181	496,073
Interest charge	27,038	-	-	27,038
Interest paid	(13,417)	-	-	(13,417)
Change in fair value	-	(7,048)	-	(7,048)
Exchange realignment	(9,144)	115	-	(9,029)
At 31 December 2017	453,436	-	40,181	493,617
Interest charge	33,296	-	-	33,296
Interest paid	(19,472)	-	-	(19,472)
Exchange realignment	4,416	-	-	4,416
At 30 June 2018	471,676	-	40,181	511,857

16 OTHER LOANS

Pursuant to the sale and purchase agreement in the acquisition of 100% equity interest in Silver Eminent, the vendor shall lend 50% of the cash consideration (i.e. HK\$79,411,750) to China Zhaofeng, at the prevailing benchmark interest rate as specified by the People's Bank of China per annum for a term commencing from the Completion Date to 31 March 2021.

Pursuant to the sale and purchase agreement in the acquisition of 100% equity interest in Value Link, the vendor shall lend 50% of the cash consideration (i.e. HK\$143,823,500) to China Rongsheng, a subsidiary of the Target, at the prevailing benchmark interest rate as specified by the People's Bank of China per annum for a term commencing from the Completion Date to 31 March 2021.

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17 CAPITAL, RESERVES AND DIVIDENDS

(a) DIVIDENDS

No interim dividend (six months ended 30 June 2017: nil) was declared during the six months ended 30 June 2018.

No dividend payable to equity shareholders attributable to the previous financial year (six months ended 30 June 2017: nil) was approved or paid during the period.

(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 2017, 31 December 2017, 1 January 2018 and 30 June 2018	0.10	100,000,000,000	10,000,000
	No. of shares	HK\$'000	RMB'000
Issued and fully paid:			
At 1 January 2017	2,297,445,600	229,744	182,579
Exercise of share options	4,500,000	450	398
Conversion of the 2015 CBs to equity	90,881,295	9,088	8,063
Issuance of ordinary shares	74,074,074	7,407	6,455
At 31 December 2017 and 1 January 2018	2,466,900,969	246,689	197,495
Exercise of warrants	18,101,372	1,810	1,462
Exercise of share options	17,282,000	1,728	1,394
At 30 June 2018	2,502,284,341	250,227	200,351

17 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(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.

(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.

(f) CONVERTIBLE BONDS EQUITY RESERVE

Convertible bonds equity reserve represents the option to convert the liability component of 2017 CBs into ordinary shares of the Company, being the residual amount of the net proceeds of 2017 CBs less the fair value of liability component at the date of issuance. The equity component will remain as a separate line item within equity until the conversion option is exercised (in which case the corresponding portion of the equity component will be transferred to share capital and share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in the equity will be released to the retained earnings/accumulated losses.

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18 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 28 January 2014 and has come into effect upon the Company's listing on 21 February 2014 whereby the directors of the Company, are authorised, at their discretion, to invite any director or employee of the Group and any other person who in the sole discretion of the directors has contributed or will contribute to the Group to take up options to subscribe for shares of the Company. For detailed share option schemes, please refer to the Company's announcements on 2 July 2014, 7 May 2015, 23 July 2015, 31 May 2016 and 12 December 2017.

The number and weighted-average exercise prices of share options under the share option scheme were as follows:

	Number of options for the six months ended		Weighted-average exercise price for the six months ended	
	30 June 2018	30 June 2018	31 December 2017	31 December 2017
In thousands of options				
Outstanding at 1 January	187,998	2.25	167,756	1.99
Lapsed during the period/year	(8,484)	(1.66)	(4,822)	(2.23)
Exercised during the period/year	(17,282)	(1.13)	(4,500)	(2.16)
Granted during the period/year	–	–	29,564	3.7
Outstanding at the end of the period/year	162,232	2.40	187,998	2.25
Exercisable at the end of the period/year	122,088	1.97	76,121	1.95

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

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

The financial assets and liabilities measured at fair value in the consolidated statement of financial position as at 30 June 2018 are grouped into the fair value hierarchy as follows.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2018				
Financial liabilities at fair value through profit or loss				
— Contingent consideration liability	—	—	41,021	41,021
At 31 December 2017				
Financial liabilities at fair value through profit or loss				
— Derivative component of the 2017 CBS	—	—	—	—

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

Contingent consideration liability

On 15 December 2017, the Company entered into a sale and purchase agreement with Yuanxin Ventures Limited (“Yuanxin”), pursuant to which the Company agreed to purchase, and Yuanxin agreed to sell, 100% of the issued share capital in Silver Eminent for an aggregate consideration of HK\$317,647,000, of which HK\$158,823,500 shall be settled in cash and HK\$158,823,500 shall be settled by way of allotment and issue of consideration shares. The consideration is subject to adjustment pursuant to an earn-out arrangement.

On 7 February 2018, the Company entered into a sale and purchase agreement with Sure Victor Global Limited (“Sure Victor”), pursuant to which the Company agreed to purchase, and Sure Victor agreed to sell, 100% of the issued share capital in Value Link for an aggregate consideration of HK\$741,175,000, of which HK\$287,647,000 shall be settled in cash and HK\$453,528,000 shall be settled by way of allotment and issue of consideration shares. The consideration is subject to adjustment pursuant to an earn-out arrangement.

Pursuant to the relevant earn-out arrangements, the contingent consideration is determined with reference to the net profit of two target companies for the three years ended 31 December 2020.

The fair value of contingent consideration liability is determined by using discount cash flow technique. Key assumptions included the probability adjusted level of the cumulative net income of two target companies for the three years ended 31 December 2020. Accordingly, the present value of contingent considerations have been recognised as the contingent consideration liabilities. The contingent consideration are subsequently re-measured at their fair values as a result of change in the expected performance at each reporting date, with any resulting gain or loss recognised in the consolidated statement of profit or loss.

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**(a) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)****Contingent consideration liability (continued)**

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

	RMB'000
Contingent consideration liability 1 January 2018	–
Recognition of the contingent consideration liability at the date of acquisition	39,983
Changes in fair value recognised in the profit or loss during the period	1,038
At 30 June 2018	41,021

(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 2018.

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20 COMMITMENTS

Capital commitments outstanding as at 30 June 2018 not provided for in the interim financial report were as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Contracted for		
— property, plant and equipment	41,674	50,860
— land use rights	17,871	26,071
Authorised but not contracted for	53,633	53,633
	113,178	130,564

As at 30 June 2018, the total future minimum lease payments under non-cancellable operating leases in respect of office premises are payable as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 1 year	8,845	3,524
After 1 year but within 5 years	30,861	4,874
	39,706	8,398

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21 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.

OTHER RELATED PARTIES TRANSACTIONS

	For the six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Guarantee provided by Yu Jianqiu	2,000	–
Guarantee provided by Baohe Fushan	–	31,000
Guarantee provided by Sichuan Gushan Vegetable Fat Chemical Co., Ltd.	37,925	10,000
Delivery cost charged by Mianyang Jin Xunhuan Finance Storage Limited	5,622	2,098
	45,547	43,098
Rental income from Mianyang Jin Xunhuan Finance Storage Limited	104	–

Bank loans of RMB299,116,000 were secured by an aggregate amount of 310,317,000 ordinary shares (2017: 310,317,000 ordinary shares) in the Company held by Ocean Through Limited, First Harvest Global Limited and Gold Wide Enterprises Limited, which are companies wholly-owned by Mr. Huang Weiping, key management personnel of the Group.

Convertible bonds of HK\$400,000,000 issued in August 2017 were secured by 278,000,000 ordinary shares in the Company held by Epoch Keen Limited (“Epoch Keen”), a company wholly-owned by Mr. Yu Jianqiu, the chairman and an executive director of the Company.

22 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

There are no significant event subsequent to 30 June 2018 which would materially affect the Group’s operating and financial performance as of the date of this report.



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



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