

INTERIM REPORT
中期報告
2014



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

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

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

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

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

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

REGISTERED OFFICE

Cricket Square, Hutchins Drive
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HEAD OFFICE IN THE PRC

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COMPANY SECRETARY

Mr. Cheung Ying Kwan

AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISORS

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES PURSUANT TO THE LISTING RULES

Mr. Kwong Wai Sun Wilson
Mr. Cheung Ying Kwan

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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COMPLIANCE ADVISER

Fortune Financial Capital Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Mianyang Commercial Bank

COMPANY WEBSITE

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

STOCK CODE

1636

Financial Highlights



	For the six months ended		
	30 June		Change
	2014	2013	
	RMB'000	RMB'000	
Turnover	1,758,531	1,152,891	+52.5%
Profit for the period	122,191	77,560	+57.5%
Earnings per share	RMB0.06	RMB0.05	+20.0%
	As at	As at	Change
	30 June	31 December	
	2014	2013	
	RMB'000	RMB'000	
Cash and cash equivalents	184,121	78,615	+134.2%
Total assets	1,977,032	1,694,092	+16.7%
Total liabilities	801,135	1,081,287	-25.9%
Total Equity	1,175,897	612,805	+91.9%

	For the six months ended	
	30 June	30 June
	2014	2013
Net profit margin	6.9%	6.7%
	As at	As at
	30 June	31 December
	2014	2013
Return on equity	27.6%	53.9%
Inventory turnover days	25 days	16 days
Receivables turnover days	65 days	62 days
Payables turnover days	13 days	20 days
Current ratio	2.0	1.2
Quick ratio	1.5	1.1
Debt to equity ratio*	39.9%	97.8%
Net debt to equity ratio#	24.2%	85.0%

* (Total interest-bearing debts plus amounts due to related parties)/Total equity.

(Total interest-bearing debts plus amounts due to related parties less cash and cash equivalents)/Total equity.

BUSINESS REVIEW

Our financial performance in the first half of 2014 was strong with turnover increased by 52.5% and net profit increased by 57.5% from the first half of 2013. The fact that it was achieved on the back of a difficult operating environment during the second quarter when liquidity significantly tightened in the financial markets in China demonstrated the strengths of our business model and the ability and dedication of our management team. In particular, our integrated business model allowed us to efficiently alter our product mix efficiently so that we were able to minimize any adverse impact on our overall business from reduced liquidity in the market environment. The growth in turnover was principally due to the greater production capacity at our Mianyang Tongxin Copper Co., Ltd. (“Tongxin”) and Hunan Yinlian Xiangbei Copper Co., Ltd. (“Xiangbei”) facilities and was also the main driver for the increase in net profit. Moreover, with all of our copper semis production facilities enjoying the benefits of VAT refunds, we continued our strategy to conduct our operations in order to fully utilize such benefits. As a result, our net profit margin improved from 6.7% in the first half of 2013 to 6.9% in the first half of 2014.

Xiangbei’s annual production capacity expansion by 30,000 metric tons was completed during the second quarter of 2014. In addition, our enameled wires production facility at Tongxin was also completed during the second quarter and we are now in the process of obtaining the relevant product licenses prior to production. The production facility of Sichuan Baohe Xinshiji Cable Co., Ltd. (“Baohe Xinshiji”) was completed and production commenced during the second quarter. However, due to delays in government procedures in approving land use rights, the production facility of Mianyang Baohe Taiyue Communications Cable Co., Ltd. (“Baohe Taiyue”) is now expected to be completed by the end of 2014.

FUTURE PROSPECTS/OUTLOOK

Since the end of the second quarter of 2014, there were signs that liquidity in the financial markets in China was improving as the Chinese government strives to maintain its targeted economic growth rate. As such, we are cautiously optimistic that our business environment will also improve in the coming months. We will continue to pursue our strategies as set out in the prospectus of our initial public offering. Also, we are actively seeking acquisition opportunities along the supply chain of our industry for further integration. Despite the delay in the production of Baohe Taiyue, we are confident that we can continue to achieve good growth in our business and provide attractive returns to our shareholders.

HUMAN RESOURCES

As at 30 June 2014, the Group had a total of approximately 740 employees. The Group's staff costs for the six months ended 30 June 2014 were approximately RMB16.0 million. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and the Group's performance. The Group is committed to nurturing a learning and sharing culture across its organization. Heavy emphasis is placed on the training and development of individual employees and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated professionals. The Group is also committed to social responsibility by employing disabled staff and providing appropriate working conditions and protection to them.

FINANCIAL REVIEW

TURNOVER

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

The following table sets forth the analysis of our turnover:

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sales of recycled copper products	1,564,772	831,539
Sales of power transmission and distribution cables	137,319	209,297
Sales of communication cables	44,523	104,213
Sales of scrap materials	10,298	6,324
Contract manufacturing income	1,619	1,518
	1,758,531	1,152,891

Turnover for the six months ended 30 June 2014 amounted to RMB1,758.5 million, representing an increase of 52.5% from RMB1,152.9 million for the six months ended 30 June 2013.

Management Discussion and Analysis

Turnover from recycled copper products amounted to RMB1,564.8 million for the six months ended 30 June 2014, representing an increase of 88.2% from RMB831.5 million for the six months ended 30 June 2013, reflecting mainly an increase of 113.2% in the sales volume of recycled copper products from 17,431 metric tons for the six months ended 30 June 2013 to 37,170 metric tons for the six months ended 30 June 2014. The growth in sales volume was principally due to the expanded production capacity at our Tongxin and Xiangbei facilities.

Turnover from sales of power transmission and distribution cables amounted to RMB137.3 million for the six months ended 30 June 2014, representing a decrease of 34.4% from RMB209.3 million for the six months ended 30 June 2013. Turnover from sales of communication cables amounted to RMB44.5 million for the six months ended 30 June 2014, representing a decrease of 57.3% from RMB104.2 million for the six months ended 30 June 2013. The decreases were due to the Group's strategy to focus on recycled copper products, whose receivables turnover days are shorter than those of power transmission and distribution cables and communication cables, in order to minimize credit risk exposure amid the tightening of liquidity in the banking system in China during the first half of 2014.

CAPITAL STRUCTURE

As at 30 June 2014, the capital structure of the Group mainly consisted of shareholders' equity, bank and other borrowings and finance leases. There are no material seasonality of borrowing requirements for the Group.

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

	As at 30 June 2014		As at 31 December 2013	
	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	410,100	9.87	424,374
Loans from related parties	–	–	6.54	84,948
Obligations under finance leases	7.08	58,810	6.66	60,000
Total fixed rate borrowings		468,910		569,322

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 2014				As at 31 December 2013			
	Bank and other borrowings	Loans from related parties	Obligations under finance leases	Total	Bank and other borrowings	Loans from related parties	Obligations under finance leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year or repayable on demand	380,100	-	13,740	393,840	304,374	84,948	12,000	401,322
After one year but within two years	30,000	-	13,790	43,790	120,000	-	12,000	132,000
After two year but within five years	-	-	31,280	31,280	-	-	36,000	36,000
	410,100	-	58,810	468,910	424,374	84,948	60,000	569,322

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group's cash and cash equivalents (excluding pledged deposits of RMB41.0 million) amounted to RMB184.1 million (as at 31 December 2013: RMB78.6 million).

The Group's inventories increased by RMB189.5 million to RMB329.7 million (as at 31 December 2013: RMB140.2 million) and our trade and bills receivables decreased by RMB97.5 million to RMB579.6 million (as at 31 December 2013: RMB677.1 million). During the six months ended 30 June 2014, the inventory turnover days and receivables turnover days were 25 days and 65 days respectively, as compared to 16 days and 62 days for the year ended 31 December 2013. Increase in inventory turnover days was mainly due to a considerable increase in the amount of raw materials as at 30 June 2014 mainly because the management anticipated an increase in raw materials price in the second half of 2014. Receivables turnover days for the period was relatively stable as compared to last year.

Trade and bills payables decreased by RMB145.8 million to RMB47.3 million as at 30 June 2014 (as at 31 December 2013: RMB193.1 million) while the payables turnover days was 13 days, compared to 20 days for the year ended 31 December 2013. The decrease in the payables turnover days was due to an increase in our advance payments to suppliers which were used to offset the payment for goods upon suppliers' delivery of goods. We believe the advance payments have helped us to secure the availability of raw materials. We have endeavored to keep our trade and bills payable turnover days relatively low mainly because our prompt payment pattern enhanced our suppliers' willingness to supply raw materials to us thereby helping us to secure the availability of raw materials.

Management Discussion and Analysis

The Group's total bank and other borrowings decreased by RMB14.3 million to RMB410.1 million as at 30 June 2014 (31 December 2013: RMB424.4 million). In respect of the Group's borrowings, the Group has to comply with certain restrictive financial covenants and certain assets of the Group were pledged as security. The covenants had not been breached as at 30 June 2014.

In February 2014, the Group had obtained bridge loans to repay in full the loans from Gushan Environmental Energy Limited ("Gushan") and amounts due to Gushan, Carling Technology Limited ("Carling") and Mr. Yu Jianqiu ("Mr. Yu") prior to the listing of the Company's shares on 21 February, 2014. Such bridge loans had already been fully repaid before 30 June 2014. Furthermore, loans from and amounts due to other related parties had also been fully repaid during the six months ended 30 June 2014.

On 21 February 2014 (the "Listing Date"), the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to which 525,001,600 ordinary shares of HK\$0.10 each were issued at a price of HK\$1.13 per share by the Company, and the total gross proceeds amounted to approximately HK\$593.3 million. On 14 March 2014, the over-allotment option described in the prospectus was partially exercised by the sole global coordinator (on behalf of the international underwriters) in respect of an aggregate of 6,824,000 shares, representing approximately 1.1% of the offer shares initially available under the global offering. The 6,824,000 shares were issued and allotted by the Company at HK\$1.13 per share, and the total gross proceeds amounted to approximately HK\$7.7 million.

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

	As at 30 June 2014	As at 31 December 2013
Current ratio	2.0	1.2
Quick ratio	1.5	1.1
Debt to equity ratio*	39.9%	97.8%
Net debt to equity ratio#	24.2%	85.0%

* (Total interest-bearing debts plus amounts due to related parties)/Total equity.

(Total interest-bearing debts plus amounts due to related parties less cash and cash equivalents)/Total equity.

The improvements of current ratio and quick ratio as at 30 June 2014 compared to 31 December 2013 were primarily attributable to (i) the repayments of certain loans from related parties and amounts due to related parties by using bridge loans and the subsequent repayments of such bridge loans by using part of the proceeds from the global offering; (ii) the repayments of certain loans from related parties and amounts due to related parties by using part of the proceeds from the global offering; (iii) the increase in cash and cash equivalents as a result of the unused proceeds from the global offering; and (iv) the increase in inventory and the decrease in trade payables by using operating cash inflows and proceeds from new bank loans during the six months ended 30 June 2014.

The improvements in debt to equity ratio and net debt to equity ratio during the six months ended 30 June 2014 were mainly because of (i) the increase in equity as a result of the global offering; (ii) the repayments of the loans from related parties and the amounts due to related parties; and (iii) the net profit for the six months ended 30 June 2014.

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 2014 RMB'000	As at 31 December 2013 RMB'000
Property, plant and equipment	179,091	127,688
Lease prepayments	34,004	35,071
Inventories	75,649	78,612
Government grants receivable	–	12,766
Deposits with guarantee companies	11,900	2,500
Deposits with banks	16,584	26,711
Deposit with lessor of finance leases	5,320	4,800
Deposits with securities broker	7,236	–
	329,784	288,148

COMMODITY RISK

The major raw materials used in the production of our recycled copper products are scrap copper. We are exposed to fluctuations in the prices of raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect our financial performance. The Group uses copper futures contracts to mitigate its exposure against price fluctuations of copper raw materials. The market value of futures contracts is based on the quoted market price at the settlement on the balance sheet date. The Group's outstanding copper futures contracts had a notional contract value of RMB59.4 million as at 30 June 2014 (as at 31 December 2013: Nil). Net loss of RMB3.2 million were recognized during the six months ended 30 June 2014 (six months ended 30 June 2013: net gain of RMB1.3 million).

FOREIGN CURRENCY RISK

The functional currency of a majority of the entities within our Group is RMB and most of the transactions are settled in RMB. However, we are exposed to currency risk primarily related to the cash and cash equivalents that are denominated in Hong Kong dollars. The balance of cash and cash equivalents as at 30 June 2014 included HK\$139.4 million and USD14,000 (in total equivalent to approximately RMB110.8 million) were held in banks in Hong Kong. During the six months ended 30 June 2014, there was no material impact to the Group arising from the fluctuation in the exchange rates of these currencies. As at 30 June 2014, all the Group's borrowings were denominated in RMB. The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the six months ended 30 June 2014.

SIGNIFICANT INVESTMENTS HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company during the six months ended 30 June 2014.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2014, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.



CAPITAL EXPENDITURES

Our planned future capital expenditures mainly include the purchase of additional plant, machinery and land which we believe would facilitate the growth of our business. Our capital expenditures represent additions to property, plant and equipment and prepayments on lands of approximately RMB56.3 million for the six months ended 30 June 2014.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2014.

USE OF PROCEEDS FROM THE LISTING

The Company was listed on the Main Board of the Stock Exchange on the Listing Date and issued 531,825,600 new shares (including issue of new shares upon the exercise of over-allotment option) at HK\$1.13 per share. The net proceeds from the Listing received by the Company are approximately RMB420.0 million (after taking into account of provisions for professional fees in relation to the Listing) as at 30 June 2014. These proceeds are intended to be applied in accordance with the business plan set out in the Prospectus. The business plan and schedule of use of proceeds disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied in accordance with the actual development of the market.

During the six months ended 30 June 2014, the net proceeds from the Listing were applied as follows:

- (i) RMB116.2 million for repaying the bridge loan which were obtained for the purpose of repaying in full the loans from Gushan and amounts due to Gushan, Carling and Mr. Yu prior to Listing and on repaying other loans from related parties and amounts due to related parties;
- (ii) RMB56.3 million for funding a portion of our planned capital expenditure in relation to additions to property, plant and equipment, land use rights, and research and development projects of Tongxin, Xiangbei, Baohe Xinshiji and Baohe Taiyue; and
- (iii) RMB29.5 million for repaying certain outstanding bank loans, all of which are working capital loans.

Certain amounts of net proceeds of the global offering had not been immediately used for the purposes described in the Prospectus. These proceeds were placed as deposits with banks (pledged and unpledged) and other financial institutions as at 30 June 2014.

DIVIDENDS

The Board declared the payment of an interim dividend of HK3.0 cents (2013: Nil) per ordinary share to shareholders whose names appear on the principal or branch register of members of the Company in Hong Kong respectively (collectively the "Register of Members") as at the close of business on 4 September 2014. The interim dividend will be paid on or before 31 October 2014.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who qualify for the interim dividend, the register of members of the Company will be closed from Tuesday, 2 September 2014 to Thursday, 4 September 2014, both days inclusive, during which no transfer of shares can be registered. To qualify for the interim dividend, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 1 September 2014.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2014, the interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of part XV) of the directors and chief executing of the Company which would have to be notified to the Company pursuant to Divisions 7 and 8 of part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of the Company:

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

Other Information



Notes:

- (1) The shares were held by Epoch Keen Limited which was wholly-owned by Mr. Yu Jianqiu.
- (2) The shares were held by Silver Harvest Holdings Limited and Ocean Through Limited which were wholly-owned by Mr. Liu Hanjiu.
- (3) The shares were held by First Harvest Global Limited and Gold Wide Enterprises Limited which were wholly-owned by Mr. Huang Weiping.

Save as disclosed above, as at 30 June 2014, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the section "Directors' and Chief Executives' Interests in Shares" above, at no time during the six months ended 30 June 2014 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the directors or chief executives of the Company or their respective spouses or children under 18 years of age to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

At 30 June 2014, the following persons (not being a director or chief executive of the Company) had interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Other Information

Long position in the ordinary shares of the Company:

Name	Capacity in which interests are held	Number of shares	Percentage of shareholding ⁽¹⁾
Ms. Mak Siu Hang Viola ⁽¹⁾	Interest in a controlled corporation	137,276,000	6.54%
VMS Investment Group Limited ⁽¹⁾	Legal and beneficial owner	137,276,000	6.54%

Note:

- (1) VMS Investment Group Limited is wholly-owned by Madam Mak Siu Hang Viola. Madam Mak Siu Hang Viola is deemed to be interested in the shares held by VMS Investment Group Ltd.

Save as disclosed above, as at 30 June 2014, no person, other than the directors of the Company, whose interests are also set out in the section "Directors' and Chief Executives' Interests in Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") to provide incentive and/or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, our Company. The Share Option Scheme was conditionally approved by a written resolution of the then shareholders of the Company on 28 January 2014 and has come into effect upon the Company's Listing.

No share options were outstanding, granted, cancelled, exercised or lapsed during the six months ended 30 June 2014.

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 from the Listing Date up to 30 June 2014.

CORPORATE GOVERNANCE

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

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

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules from the Listing Date to 30 June 2014.

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 since the Listing Date.

REVIEW OF INTERIM REPORT

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

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



Other Information

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim report for the six months ended 30 June 2014.

ACKNOWLEDGEMENT

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

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

Hong Kong, 18 August 2014

Consolidated Income Statement — Unaudited

For the six months ended 30 June 2014
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Turnover	3	1,758,531	1,152,891
Cost of sales		(1,734,814)	(1,095,226)
Gross profit		23,717	57,665
Other revenue	5	206,672	76,401
Other net (loss)/income		(2,744)	811
Selling and distribution expenses		(9,236)	(4,758)
Administrative expenses		(53,796)	(26,207)
Profit from operations		164,613	103,912
Finance costs	6(a)	(26,329)	(12,329)
Profit before taxation	6	138,284	91,583
Income tax	7	(16,093)	(14,023)
Profit for the period		122,191	77,560
Earnings per share	8		
Basic and diluted (RMB)		0.06	0.05

The notes on pages 25 to 46 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(a).

Consolidated Statement of Comprehensive Income — Unaudited

For the six months ended 30 June 2014
(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit for the period	122,191	77,560
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of non-The People's Republic of China ("PRC") entities	2,332	2,673
Total comprehensive income for the period	124,523	80,233

The notes on pages 25 to 46 form part of this interim financial report.

Consolidated Balance Sheet — Unaudited

At 30 June 2014
(Expressed in Renminbi)

	Note	30 June 2014 RMB'000	31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	435,849	404,706
Lease prepayments		86,474	87,371
Intangible assets		5,484	7,312
Goodwill		39,308	39,308
Pledged deposits		6,820	6,300
Other non-current assets		40,800	52,834
Deferred tax assets		190	145
		614,925	597,976
Current assets			
Inventories	10	329,654	140,160
Trade and other receivables	11	799,614	848,666
Income tax recoverable		14,498	–
Amounts due from related parties		–	964
Pledged deposits		34,220	27,711
Cash and cash equivalents	12	184,121	78,615
		1,362,107	1,096,116
Current liabilities			
Trade and other payables	13	273,115	420,671
Obligations under finance leases		13,740	12,000
Bank loans and other borrowings	14	380,100	304,374
Amounts due to related parties		–	30,200
Loans from related parties		–	84,948
Current taxation		26,399	28,317
		693,354	880,510
		668,753	215,606
Total assets less current liabilities		1,283,678	813,582

Consolidated Balance Sheet — Unaudited

At 30 June 2014
(Expressed in Renminbi)

	Note	30 June 2014 RMB'000	31 December 2013 RMB'000 (Audited)
Non-current liabilities			
Bank loans and other borrowings	14	30,000	120,000
Obligations under finance leases		45,070	48,000
Deferred government grants		31,048	31,048
Deferred tax liabilities		1,663	1,729
		107,781	200,777
NET ASSETS			
		1,175,897	612,805
CAPITAL AND RESERVES			
Share capital	15(b)	166,075	907
Reserves		1,009,822	611,898
TOTAL EQUITY			
		1,175,897	612,805

The notes on pages 25 to 46 form part of this interim financial report.

Consolidated Statement of Changes in Equity — Unaudited

For the six months ended 30 June 2014
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company						
		Share capital	Exchange reserve	Capital reserve	Statutory reserves	Share-based payment reserve	Retained profits	Total
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013		68	7,435	132,814	20,158	7,659	130,188	298,322
Changes in equity for the six months ended 30 June 2013:								
	Profit for the period	-	-	-	-	-	77,560	77,560
	Other comprehensive income	-	2,673	-	-	-	-	2,673
	Total comprehensive income	-	2,673	-	-	-	77,560	80,233
	Arising from corporate reorganisation	15(b)(iii) 759	-	(759)	-	-	-	-
	Appropriations to statutory reserves	-	-	-	11,178	-	(11,178)	-
Balance at 30 June 2013		827	10,108	132,055	31,336	7,659	196,570	378,555

Consolidated Statement of Changes in Equity — Unaudited

For the six months ended 30 June 2014
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company							Total RMB'000
		Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Share- based payment reserve RMB'000	Retained profits RMB'000	
Balance at 1 January 2014		907	71,579	12,370	132,055	49,406	-	346,488	612,805
Changes in equity for the six months ended 30 June 2014:									
Profit for the period		-	-	-	-	-	-	122,191	122,191
Other comprehensive income		-	-	2,332	-	-	-	-	2,332
Total comprehensive income		-	-	2,332	-	-	-	122,191	124,523
Capitalisation issue	15(b)(v)	123,215	(123,215)	-	-	-	-	-	-
Issue of new shares under the initial public offering ("IPO"), net of listing expenses	15(b)(vi)	41,414	391,063	-	-	-	-	-	432,477
Issue of new shares upon exercise of the over-allotment option under the IPO	15(b)(vi)	539	5,553	-	-	-	-	-	6,092
Appropriations to statutory reserves		-	-	-	-	7,961	-	(7,961)	-
Balance at 30 June 2014		166,075	344,980	14,702	132,055	57,367	-	460,718	1,175,897

The notes on pages 25 to 46 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement — Unaudited

For the six months ended 30 June 2014
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Operating activities			
Cash (used in)/generated from operations		(84,828)	78,672
PRC Corporate Income Tax paid		(32,620)	(16,143)
Net cash (used in)/generated from operating activities		(117,448)	62,529
Investing activities			
Payment for purchase of property, plant and equipment		(54,250)	(79,120)
Payment for lease prepayments		(2,007)	(2,459)
Increase in pledged deposits		(7,029)	(40,616)
Other cash flows arising from investing activities		573	412
Net cash used in investing activities		(62,713)	(121,783)

Condensed Consolidated Cash Flow Statement — Unaudited

For the six months ended 30 June 2014
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Financing activities			
Proceeds from new bank loans and other borrowings		344,200	141,000
Repayment of bank loans and other borrowings		(358,474)	(60,000)
Repayment to related parties		(30,447)	(53,644)
Repayment of loans from related parties		(85,773)	–
Gross proceeds from issue of shares		474,046	–
Payment for listing expenses		(33,058)	–
Other cash flows arising from financing activities		(24,834)	37,575
Net cash generated from financing activities		285,660	64,931
Net increase in cash and cash equivalents		105,499	5,677
Cash and cash equivalents at 1 January		78,615	19,609
Effect of foreign exchange rate changes		7	(58)
Cash and cash equivalents at 30 June	12	184,121	25,228

The notes on pages 25 to 46 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 and the provision of contract manufacturing in the PRC. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 21 February 2014.

(b) BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 18 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the IASB.

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION AND BASIS OF PREPARATION (continued)

(b) BASIS OF PREPARATION (continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's review report to the board of directors is included on pages 47 and 48.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2014.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs and one new Interpretation that were effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's interim financial report:

- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*

AMENDMENTS TO IAS 32, OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

AMENDMENTS TO IAS 36, RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The Group adopted the amendments to IAS 36 in 2014 which has no impact on the interim financial report.

AMENDMENTS TO IAS 39, NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

3 TURNOVER

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

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sales of recycled copper products	1,564,772	831,539
Sales of power transmission and distribution cables	137,319	209,297
Sales of communication cables	44,523	104,213
Sales of scrap materials	10,298	6,324
Contract manufacturing income	1,619	1,518
	1,758,531	1,152,891

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING

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

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

(a) SEGMENT RESULTS

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

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

The measure used for reporting segment profit is "profit after taxation". To arrive at reportable segment profit, the Group's profit is further adjusted for items not specially attributed to individual segments, 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 Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING (continued)

(a) SEGMENT RESULTS (continued)

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

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

	Six months ended 30 June 2013			
	Recycled copper products RMB'000	Power transmission and distribution cables RMB'000	Communication cables RMB'000	Total RMB'000
Revenue from external customers	839,381	209,297	104,213	1,152,891
Inter-segment revenue	251,982	17,198	1,745	270,925
Reportable segment revenue	1,091,363	226,495	105,958	1,423,816
Reportable segment profit	71,093	9,277	9,845	90,215

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT REPORTING (continued)

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Turnover		
Reportable segment revenue	1,913,968	1,423,816
Elimination of inter-segment revenue	(155,437)	(270,925)
Consolidated turnover	1,758,531	1,152,891
Profit		
Reportable segment profit derived from the Group's external customers	141,497	90,215
Unallocated head office and corporate expenses	(19,306)	(12,655)
Consolidated profit after taxation	122,191	77,560

5 OTHER REVENUE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
VAT refunds		
— Comprehensive utilisation of resources (Note (i))	141,946	56,789
— Employment of disabled staff (Note (ii))	6,134	7,525
Government grants (Note (iii))	58,075	11,462
Government subsidies	91	377
Interest income	426	248
	206,672	76,401

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE (continued)

Notes:

- (i) The Group is entitled to government grants for value added tax ("VAT") refunds under the Policies for Products Generated from Comprehensive Utilisation of Resources (Cai Shui [2011] No. 115) jointly issued by the PRC State Administration of Taxation and the Ministry of Finance.
- (ii) The Group is entitled to government grants for VAT refunds in connection with the employment of disabled people under Cai Shui [2007] No. 67 issued by the PRC State Administration of Taxation.
- (iii) The amounts represent local government grants received by operating subsidiaries of the Group for the purpose of providing immediate financial support to the subsidiaries for general operating use with no future related cost. No specific conditions are required to meet in connection with the grants.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank loans and other borrowings wholly repayable within five years	22,923	9,119
Interest on loans from related parties	458	2,718
Guarantee fees and other charges	2,948	492
	26,329	12,329
(b) Other items		
Depreciation of property, plant and equipment	11,310	7,187
Amortisation of lease prepayments	902	119
Amortisation of intangible assets	1,828	1,828
Listing expenses	14,658	9,717
Research and development costs	1,193	791

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax — PRC Corporate Income Tax		
Provision for the period	26,842	22,630
Over-provision in respect of prior years	(294)	(531)
Effect of reduction in tax rate for prior year (note (iii))	(10,344)	(8,030)
	16,204	14,069
Deferred tax		
Origination and reversal of temporary differences	(111)	(46)
	16,093	14,023

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the current and prior periods.
- (iii) The Company's PRC subsidiaries are subject to PRC Corporate Income Tax at the statutory rate of 25%. In 2013, the Company's subsidiaries, Mianyang Jinxin Copper Co., Ltd. ("Jinxin") and Mianyang Tongxin Copper Co., Ltd. ("Tongxin") applied for preferential income tax treatment under the Notice on Taxation Policy Issues concerning the In-depth Implementation of the Western Development Strategy (Cai Shui [2011] No. 58) ("Western Development Strategy"). In May 2013, each of the Company's subsidiaries, Jinxin and Tongxin obtained the approval from local tax authority and became entitled to a preferential income tax rate of 15% from 1 January 2012 to 31 December 2020. Tax credits of RMB8,030,000 related to the preferential tax treatment for 2012 were recognised in profit or loss for the six months ended 30 June 2013.

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

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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 RMB122,191,000 (six months ended 30 June 2013: RMB77,560,000) and the weighted average number of ordinary shares. For the purpose of calculating basic and diluted earnings per share, the number of ordinary shares used in the calculation reflected (i) the effects of the share sub-division of Engen Investments Limited ("Engen") in February 2013; (ii) share exchange in connection with the corporate reorganisation in March 2013 ("Corporate Reorganisation") and (iii) the capitalisation issue which took place on 21 February 2014 in connection with the listing of the Company's shares on a retrospective basis as if the events had occurred on 1 January 2013.

	Six months ended 30 June	
	2014	2013
Profit attributable to equity shareholders of the Company (RMB'000)	122,191	77,560
Issued ordinary shares at the beginning of the period	11,238,000	10,225
Effect of share sub-division of Engen in February 2013 (note 15(b)(ii))	–	1,012,275
Effect of share exchange in connection with the Corporate Reorganisation (note 15(b)(iii))	–	9,202,500
Effect of capitalisation issue (note 15(b)(v))	1,562,082,000	1,421,275,000
Effect of issue of new shares under the IPO (note 15(b)(vi))	377,072,972	–
Effect of exercise of the over-allotment option (note 15(b)(vi))	4,109,481	–
Weighted average number of ordinary shares in issue	1,954,502,453	1,431,500,000
Basic earnings per share (RMB)	0.06	0.05

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 EARNINGS PER SHARE (continued)

(b) DILUTED

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

9 PROPERTY, PLANT AND EQUIPMENT

(a) ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2014, the Group's additions to property, plant and equipment amounted to RMB36,269,000 (six months ended 30 June 2013: RMB37,173,000). No material disposal of property, plant and equipment was made during the six months ended 30 June 2014 and 2013.

(b) All of the Group's property, plant and equipment are located in the PRC. At 30 June 2014, property, plant and equipment with net book value of RMB179,091,000 (31 December 2013: RMB127,688,000) were pledged for certain banking facilities granted to the Group (see note 14(b)).

10 INVENTORIES

Inventories in the consolidated balance sheet comprise:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Raw materials	228,040	64,201
Work in progress	44,945	13,597
Finished goods	56,669	62,362
	329,654	140,160

At 30 June 2014, inventories of RMB75,649,000 (31 December 2013: RMB78,612,000) were pledged for banking facilities granted to the Group (see note 14(b)).

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 TRADE AND OTHER RECEIVABLES

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 30 days	325,429	312,971
31 to 60 days	88,615	270,981
61 to 180 days	139,337	91,871
Over 180 days	26,216	1,279
Trade debtors and bills receivable	579,597	677,102
Advance payments to suppliers	116,560	74,755
Government grants receivable	79,328	85,953
Other deposits, prepayments and receivables	24,129	10,856
	799,614	848,666

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

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Guangzhou Taiyue Communications Cable Co., Ltd. ("Guangzhou Taiyue")	9,661	5,958
Sichuan Xinshiji Cable Co., Ltd. ("Sichuan Xinshiji")	49	35,736
	9,710	41,694

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated balance sheet and consolidated cash flow statement represent:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Cash at bank and in hand	184,121	78,615

13 TRADE AND OTHER PAYABLES

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 30 days	3,886	102,572
31 to 60 days	4,537	35,395
61 to 180 days	38,678	33,739
Over 180 days	212	21,400
Trade and bills payable	47,313	193,106
Receipts in advance	33,162	22,758
Accrued expenses and other payables	192,640	204,807
	273,115	420,671

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Guangzhou Taiyue	65	-
Sichuan Xinshiji	10,039	-
	10,104	-

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

13 TRADE AND OTHER PAYABLES (continued)

Accrued expenses and other payables included payables for purchases of property, plant and equipment and intangible assets to related parties of RMB14,000,000 (31 December 2013: RMB14,000,000) which comprised RMB4,000,000 and RMB10,000,000 payable to Guangzhou Taiyue and Sichuan Xinshiji respectively at 30 June 2014 and 31 December 2013.

Accrued expenses and other payables also included payables for land use rights of RMB9,593,000 (31 December 2013: RMB11,595,000) to a related party, Sichuan Baohe Fushan Resources Recycling Development Co., Ltd (“Baohe Fushan”).

14 BANK LOANS AND OTHER BORROWINGS

(a) At 30 June 2014, the analysis of the carrying amount of borrowings is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Bank loans		
— secured	200,500	207,380
— unsecured	37,900	60,000
	238,400	267,380
Entrusted loans		
— unsecured	171,700	90,500
Other borrowings		
— unsecured	—	66,494
	410,100	424,374
Represented by:		
Current	380,100	304,374
Non-current	30,000	120,000
	410,100	424,374

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

14 BANK LOANS AND OTHER BORROWINGS (continued)

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Property, plant and equipment (note 9(b))	179,091	127,688
Lease prepayments	34,004	35,071
Inventories (note 10)	75,649	78,612
Government grants receivable	–	12,766
Pledged deposits	25,400	29,106
	314,144	283,243

15 CAPITAL, RESERVES AND DIVIDENDS

(a) DIVIDENDS

Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Interim dividend declared after the interim period of HK3.0 cents per share (2013: Nil)	50,138	–

The interim dividend has not been recognised as a liability at the balance sheet date.

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) SHARE CAPITAL

Authorised and issued share capital

	Par value HK\$	No. of shares	Nominal value of ordinary shares HK\$'000
Authorised:			
At 22 February 2013 (date of incorporation)	0.10	3,000,000	300
Increase in share capital on 19 March 2013	0.10	99,997,000,000	9,999,700
At 31 December 2013 and 30 June 2014		100,000,000,000	10,000,000 (equivalent to RMB8,071,000,000)
Issued and fully paid:			
At 22 February 2013 (date of incorporation)	0.10	1	–
Issue of shares upon the Corporate Reorganisation	0.10	10,224,999	1,022
Issue of shares under share option scheme (iv)	0.10	1,013,000	101
At 31 December 2013 and 1 January 2014		11,238,000	1,123 (equivalent to RMB907,000)
Capitalisation issue	0.10	1,562,082,000	156,208
Issue of new shares under the IPO	0.10	525,001,600	52,500
Issue of new shares upon exercise of the over-allotment option	0.10	6,824,000	683
At 30 June 2014		2,105,145,600	210,514 (equivalent to RMB166,075,000)

15 CAPITAL, RESERVES AND DIVIDEND (continued)

(b) SHARE CAPITAL (continued)

- (i) The Company was incorporated on 22 February 2013 with an authorised share capital of HK\$300,000 divided into 3,000,000 shares of HK\$0.1 each. On the same date, one share of HK\$0.1 was allotted and issued at par. Upon completion of the Corporate Reorganisation on 19 March 2013, the Company became the holding company of the Group. On 19 March 2013, the authorised share capital of the Company increased to HK\$10,000,000,000 by the creation of additional 99,997,000,000 shares of HK\$0.1 each, rank pari passu with the existing ordinary shares of the Company in all respects. On the same date, a total of 10,224,999 shares of HK\$0.1 each were allotted and issued at par.
- (ii) Pursuant to the written resolutions of the shareholders of Engen passed on 1 February 2013, the shareholders of Engen approved the sub-division of ordinary share of US\$1.00 each in the authorised and issued share capital of Engen into 100 ordinary shares of US\$0.01 each. Immediately following the stock split referred to above, Engen is authorised to issue a maximum of 5,000,000 shares of a single class each with a par value of US\$0.01 and the issued share capital of Engen became US\$10,225 (RMB68,000) comprising 1,022,500 shares of US\$0.01 each.
- (iii) On 19 March 2013, all shareholders of Engen transferred their holdings in the issued share capital of Engen to the Company in consideration for the shares allotted and issued by the Company as part of the Corporate Reorganisation. Following such transfer, the Company became the holder of the entire issued share capital of Engen.
- (iv) On 16 October 2013, the Chairman of the Group, Mr. Yu Jianqiu exercised the share options of the Company to subscribe for 1,013,000 shares in the Company at a consideration of RMB64,000,000 of which HK\$101,000 (approximately RMB80,000) was credited to share capital and the balance of RMB63,920,000 was credited to the share premium account.

15 CAPITAL, RESERVES AND DIVIDEND (continued)

(b) SHARE CAPITAL (continued)

- (v) On 21 February 2014, the Company capitalised an amount of HK\$156,208,000 (approximately RMB123,215,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 1,562,082,000 shares, each of which to be allotted and issued to the shareholders of the Company appearing on the register of members of the Company on 28 January 2014 in proportion to their respective shareholding.
- (vi) On 21 February 2014, the shares of the Company became listed on the Main Board of the Stock Exchange, pursuant to which 525,001,600 ordinary shares of HK\$0.1 each were issued at a price of HK\$1.13 per share by the Company. The total gross proceeds from the issue of these shares amounted to HK\$593,252,000 (approximately RMB467,954,000). Proceeds of HK\$52,500,000 (approximately RMB41,414,000), representing the par value of the shares issued, were credited to the Company's share capital. The remaining proceeds of HK\$495,895,000 (approximately RMB391,063,000 after deducting the listing expenses of RMB35,477,000), were credited to the share premium account.

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

(c) SHARE PREMIUM

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

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the balance sheet date 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 periods.

Assets/(liabilities)

	30 June 2014 Level 1 RMB'000	31 December 2013 Level 1 RMB'000
Derivative financial instruments		
— Copper futures contracts	(1,583)	—

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2013.

17 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2014 not provided for in the interim financial report were as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Contracted for		
— property, plant and equipment	48,518	67,387
— land use rights	14,000	14,000
Authorised but not contracted for	113,694	120,698
	176,212	202,085

At 31 December 2013 and 30 June 2014, each of Tongxin, Baohe Xinshiji and Baohe Taiyue had a Management Consultancy Agreement with Baohe Fushan (collectively the "Management Consultancy Agreements"), pursuant to which Baohe Fushan agreed to provide various services to Tongxin, Baohe Xinshiji and Baohe Taiyue. In return, each of Tongxin, Baohe Xinshiji and Baohe Taiyue is committed to pay Baohe Fushan an administrative fee and a consultancy fee which amounts to 20% and 30%, respectively, of all government grants and subsidies obtained via Baohe Fushan in connection with the facility of each of Tongxin, Baohe Xinshiji and Baohe Taiyue. The Management Consultancy Agreements of Tongxin, Baohe Xinshiji and Baohe Taiyue will remain in force till 27 February 2015, 18 September 2015 and 26 September 2015 respectively.

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

18 RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sale of recycled copper products to Guangzhou Taiyue	1,746	28,461
Sale of recycled copper products to Sichuan Xinshiji (note (ii))	28,843	99,249
Purchase of power transmission and distribution cables from Sichuan Xinshiji (note (ii))	35,296	103,588
Purchase of recycled copper products from Sichuan Xinshiji	–	5,338
Processing fee charged by Guangzhou Taiyue	–	6,297
Processing fee charged by Sichuan Xinshiji	15,258	13,884

Notes:

- (i) Sichuan Xinshiji is a private company which is 19.5% owned by Mr. Chen Hai, a key management personnel of the Group and a beneficial minority shareholder of the Company, who has de facto control of the board of directors of Sichuan Xinshiji.

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

- (ii) During the six months ended 30 June 2014, the Group sold recycled copper products in the amount of RMB28,843,000 (six months ended 30 June 2013: RMB99,249,000) to Sichuan Xinshiji and purchased from Sichuan Xinshiji power transmission and distribution cables in the amount of RMB35,296,000 (six months ended 30 June 2013: RMB103,588,000). As the recycled copper products sold by the Group to Sichuan Xinshiji were used or were expected to be used by Sichuan Xinshiji as raw materials for its production of power transmission and distribution cable products, for financial reporting purposes, the Group's sales of recycled copper products amounted to RMB28,843,000 (six months ended 30 June 2013: RMB99,249,000) have not been recognised as revenue in the consolidated income statement of the Group for the six months ended 30 June 2014 but as a reduction of the cost of the Group's purchases of power transmission and distribution cables.



19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (i) On 2 July 2014, the Company granted 113,000,000 share options to three executive directors of the Company and certain employees of the Group subject to acceptance of the grantees under the share option scheme adopted by the Company on 28 January 2014. The grantees are entitled, subject to the terms and conditions of the grant and upon exercise, to subscribe for an aggregate of 113,000,000 shares of the Company with nominal value of HK\$0.10 per share at an exercise price of HK\$1.13 per share, representing approximately 5.37% of the total 2,105,145,600 shares in issue on 2 July 2014. The share options granted have a vesting period of 3 years, i.e. one-third of the share options shall be vested on the first anniversary; one-third of share options shall be vested on the second anniversary; and the remaining share options shall be vested on the third anniversary of the date of grant respectively.

- (ii) On 29 July 2014, Tongxin, as borrower entered into a co-operation agreement with Mianyang Science Technology City Development Investment (Group) Co., Ltd. ("Mianyang Development Group"), a state-owned enterprise, as lender (the "Co-operation Agreement"). Pursuant to the Co-operation Agreement, Mianyang Development Group has agreed to provide a term loan in the aggregate principal amount of up to RMB600,000,000 (the "Loan").

Under the terms of the Co-operation Agreement, the Loan will be subject to a fixed interest rate of 10% per annum. The Loan may be drawn down in tranches and the last tranche should be drawn down by 31 October 2014, with a repayment term of two years from the date of draw down in relation to each tranche of the Loan. Pursuant to the Co-operation Agreement, the Loan will be made available to Tongxin by way of an entrusted loan, with relevant agreement to be entered into between the parties and a licensed bank in the PRC.

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD (continued)

(ii) (continued)

To provide securities for the Loan, on 15 August 2014, Silver Harvest Holdings Limited, Ocean Through Limited, First Harvest Global Limited and Gold Wide Enterprises Limited, shareholders of the Company, has each entered into share charges in respect of their respective shareholding of 103,205,200, 39,401,600, 167,952,400 and 102,963,000 shares in the Company in favour of Mianyang Development Group as the secured party (the "Share Charges").

Silver Harvest Holdings Limited and Ocean Through Limited are entities beneficially and wholly-owned by Mr. Liu Hanjiu and First Harvest Global Limited and Gold Wide Enterprises Limited are entities beneficially and wholly-owned by Mr. Huang Weiping. Mr. Liu Hanjiu and Mr. Huang Weiping are both directors of the Company. No security over the assets of the Group is granted in respect of the Share Charges.

(iii) On 18 August 2014, the Board of Directors declared an interim dividend. Further details are disclosed in note 15(a).



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

INTRODUCTION

We have reviewed the interim financial report set out on pages 17 to 46 which comprises the consolidated balance sheet of China Metal Resources Utilization Limited (the "Company") as of 30 June 2014 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

18 August 2014



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



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