



# 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



**2017**  
**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**

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

## **HEAD OFFICE IN THE PRC**

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

## **PLACE OF BUSINESS IN HONG KONG**

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

## **COMPANY SECRETARY**

Cheung Ying Kwan, FCCA

## **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 Liangsheng (*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  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

## **PRINCIPAL BANKERS**

Standard Chartered Bank (Hong Kong) Limited  
Industrial and Commercial Bank of China  
Mianyang Commercial Bank  
Huarong Xiangjiang Bank  
China Merchants Bank

## **COMPANY WEBSITE**

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

## **STOCK CODE**

1636

# Financial Highlights

	For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Revenue	4,208,903	1,464,127
Net profit/(loss) attributable to the shareholders of the Company	85,454	(37,115)
Earnings/(loss) per share	RMB0.04	RMB(0.02)

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000	Change
Cash and cash equivalents	255,675	164,142	55.8%
Total assets	2,558,697	2,278,476	12.3%
Total liabilities	1,221,328	1,470,788	(17.0%)
Total Equity	1,337,369	807,708	65.6%

	For the six months ended 30 June	
	2017	2016
Net profit/(loss) margin	2.0%	(2.6%)
Return on equity	16.1%	(10.2%)

	As at 30 June 2017	As at 31 December 2016
Inventory turnover days	16.8 days	17.1 days
Receivables turnover days	13.5 days	26.4 days
Payables turnover days	6.5 days	5.7 days
Current ratio	1.4	1.0
Quick ratio	1.0	0.8
Debt to equity ratio*	60.6%	113.7%
Net debt to equity ratio#	41.5%	93.3%

\* Total interest-bearing debts/Total equity.

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

## **BUSINESS REVIEW**

In the first half of 2017, the improvement in China's economic growth has resulted in an increase in the demand for copper products across the country and an increase in copper prices. As a result, the Group recorded an increase in sales volume of copper products in the first half of 2017 as compared with the first half of 2016, which translated into an increase in turnover by 187.5% 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 period ended 30 June 2017. Furthermore, the improvement in the liquidity of our customers has resulted in the recovery of several long overdue trade receivable balances.

In order to take advantage of the expected recovery of the industrial metal market, the Group underwent several fund raising activities during and subsequent to the period ended 30 June 2017, namely, an issuance of 74,074,074 new ordinary shares for HK\$200 million in June 2017, an issuance of convertible bonds with a total principal amount of HK\$250 million in April 2017 and an issuance of convertible bonds with a total principal amount of HK\$600 million in August 2017.

## **FUTURE PROSPECTS/OUTLOOK**

China's gross domestic product in the first half of 2017 grew by 6.9%, which was higher than last year's 6.7%. This would appear to indicate that China's economy has stabilized and is back on its growth track. After several years of price adjustment, the commodity market in China has finally witnessed signs of stabilization along with the recommencing of the expansion phase of the economy. With the expected continued improvement in China's economy, commodity prices in China, especially industrial metal prices, are expected to continue to increase in the coming future. Potential demand for industrial metals will also increase if the global economy continues to improve. Recently, it has been reported that China is considering to prohibit the import of scrap metals into China as from next year. Such new policy, if instigated and properly enforced, will be a further catalyst for the improvement of industrial metal prices. On the monetary front, there were signs of easing in liquidity in China's financial markets. At this juncture, we will be looking to increase our financial strength so that we will be able to take full advantage of further improvements in the market environment to strengthen our business and increase profitability. At the same time, we shall also continue to seek suitable acquisition opportunities to help grow our business.

# Management Discussion and Analysis

## HUMAN RESOURCES

As at 30 June 2017, the Group had a total of approximately 480 employees (31 December 2016: 477). The Group's staff costs for the six months ended 30 June 2017 were approximately RMB31.5 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 2017 (for the six months ended 30 June 2016: 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	
	2017 RMB'000	2016 RMB'000
Sales from trading of electrolytic copper	3,068,646	1,160,212
Sales of recycled copper products	1,109,265	283,231
Sales of power transmission and distribution cables	4,182	1,109
Sales of communication cables	14,785	15,838
Sales of aluminium products	–	2,986
Sales of scrap materials	11,257	247
Contract manufacturing income	768	504
	<b>4,208,903</b>	<b>1,464,127</b>

## Management Discussion and Analysis

Revenue for the six months ended 30 June 2017 amounted to RMB4,208.9 million, representing an increase of 187.5% from RMB1,464.1 million for the six months ended 30 June 2016.

Revenue from copper products amounted to RMB4,177.9 million (including revenue from trading of electrolytic copper of RMB3,068.6 million and revenue from recycled copper products of RMB1,109.3 million) for the six months ended 30 June 2017, representing an increase of 189.4% from RMB1,443.4 million for the six months ended 30 June 2016, reflecting mainly an increase of 127.8% in the sales volume of all copper products from 46,314 metric tons for the six months ended 30 June 2016 to 105,508 metric tons for the six months ended 30 June 2017, and an increase of 26.9% in average selling price from RMB31,200 per ton for the six months ended 30 June 2016 to RMB39,598 per ton for the six months ended 30 June 2017.

Revenue from sales of power transmission and distribution cables amounted to RMB4.2 million for the six months ended 30 June 2017, representing an increase of 277.1% from RMB1.1 million for the six months ended 30 June 2016. Revenue from sales of communication cables amounted to RMB14.8 million for the six months ended 30 June 2017, representing a decrease of 6.6% from RMB15.8 million for the six months ended 30 June 2016.

# Management Discussion and Analysis

## CAPITAL STRUCTURE

As at 30 June 2017, the capital structure of the Group mainly consisted of shareholders' equity, bank loans and other borrowings, finance leases and convertible bonds. 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 2017		As at 31 December 2016	
	Weighted average effective interest rate %	Amount RMB'000	Weighted average effective interest rate %	Amount RMB'000
<b>Fixed rate borrowings:</b>				
Bank loans and other borrowings	9.27	581,294	8.72	681,536
Obligations under finance leases	6.66	18,182	6.67	24,658
Liability component of convertible bonds	15.89	210,932	34.35	211,810
Total fixed rate borrowings		810,408		918,004

# 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 2017				As at 31 December 2016				
	Bank loans and other borrowings	Obligations under finance leases		Liability component of convertible bonds	Bank loans and other borrowings	Obligations under finance leases		Liability component of convertible bonds	Total
		RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Within one year or repayable on demand	581,294	12,527	210,932	804,753	681,536	13,322	211,810	906,668	
After one year but within two years	-	5,655	-	5,655	-	11,336	-	11,336	
After two year but within five years	-	-	-	-	-	-	-	-	
More than five years	-	-	-	-	-	-	-	-	
	581,294	18,182	210,932	810,408	681,536	24,658	211,810	918,004	

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's cash and cash equivalents (excluding pledged deposits of RMB49.4 million) amounted to RMB255.7 million (as at 31 December 2016: RMB164.1 million).

The Group's inventories increased by RMB355.1 million to RMB563.3 million (as at 31 December 2016: RMB208.2 million). During the six months ended 30 June 2017, the inventory turnover days were 16.8 days as compared with 17.1 days for the year ended 31 December 2016, reflecting a stable turnover of inventory.

Trade and bills receivables increased by RMB103.7 million to RMB365.4 million (as at 31 December 2016: RMB261.7 million). During the six months ended 30 June 2017, the receivables turnover days were 13.5 days as compared with 26.4 days for the year ended 31 December 2016. The decrease in receivable turnover days reflected the increase in sales from trading of copper products and the turnover days of which were shorter.

## Management Discussion and Analysis

Trade and bills payables increased by RMB116.2 million to RMB207.0 million as at 30 June 2017 (as at 31 December 2016: RMB90.8 million) while the payable turnover days was 6.5 days, compared with 5.7 days for the year ended 31 December 2016. Payable turnover days for the period was relatively stable as compared with last year.

The Group's total interest-bearing borrowings decreased by RMB107.6 million to RMB810.4 million as at 30 June 2017 (31 December 2016: RMB918.0 million). The decrease was mainly due to the repayment of bank loans and other borrowings and obligations under finance leases. Bank loans and other borrowings included three entrusted loans totalled approximately RMB300.0 million from Mianyang Science Technology City Development Investment (Group) Co., Ltd. (綿陽科技城發展投資(集團)有限公司) ("Mianyang Development Group"). Pursuant to the entrusted loan agreement signed among Mianyang Tongxin Copper Co., Ltd. (綿陽銅鑫銅業有限公司) ("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 2017, 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 2017	As at 31 December 2016
Current ratio	1.4	1.0
Quick ratio	1.0	0.8
Debt to equity ratio*	60.6%	113.7%
Net debt to equity ratio#	41.5%	93.3%

\* Total interest-bearing debts/Total equity.

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

The improvement of current ratio and quick ratio as at 30 June 2017 compared with those as at 31 December 2016 were primarily attributable to (i) issuance of 74,074,074 new ordinary shares for HK\$200 million on 12 June 2017 and (ii) the conversion of convertible bonds, which were issued in April 2015, into 90,881,295 ordinary shares on 18 April 2017, whose derivative component was accounted for as an item of current liabilities at 31 December 2016.

# Management Discussion and Analysis

The decrease in debt to equity ratio and net debt to equity ratio as at 30 June 2017 compared with those as at 31 December 2016 was mainly because of (i) the issuance of 74,074,074 new ordinary shares for HK\$200 million on 12 June 2017; (ii) conversion of convertible bonds, which were issued in April 2015, into 90,881,295 ordinary shares on 18 April 2017; and (iii) the net profit for the six months ended 30 June 2017.

## 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 2017 RMB'000	As at 31 December 2016 RMB'000
Property, plant and equipment	162,443	202,891
Lease prepayments	89,952	90,936
Inventories	58,159	29,000
Government grants receivable	8,550	8,550
Deposits with guarantee companies	–	6,000
Deposits with banks	20,900	20,900
Deposit with lessor of finance leases	4,800	5,320
Deposit with other companies	28,509	28,506
	<b>373,313</b>	<b>392,103</b>

## COMMODITY RISK

The major raw materials used in the production of our recycled copper products are scrap copper. We are exposed to fluctuations in the prices of raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect our financial performance. The Group uses copper futures contracts to mitigate part of its exposure against price fluctuations of copper raw materials. The market value of futures contracts is based on the quoted market price at the settlement on the balance sheet date. The Group did not have outstanding copper futures contracts as at 30 June 2017 (as at 31 December 2016: nil). Net profit of RMB0.6 million only from futures contracts was recognized during the six months ended 30 June 2017 (six months ended 30 June 2016: net loss of RMB400).

## **FOREIGN CURRENCY RISK**

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, we are exposed to currency risk primarily related to the cash and cash equivalents and convertible bonds, both of them are denominated in Hong Kong dollars. The balance of cash and cash equivalents as at 30 June 2017 including approximately HK\$80.2 million and USD9,000 (in total equivalent to approximately RMB71.6 million) were held in banks in Hong Kong. The liability component of convertible bonds amounted to approximately HK\$243.0 million was translated into approximately RMB210.9 million as at 30 June 2017.

As at 30 June 2017, the Group's bank loans and other borrowings and obligations under finance leases were denominated in RMB. The Group did not commit to any financial instruments to hedge against foreign exchange exposure during the six months ended 30 June 2017. During the six months ended 30 June 2017, the Company incurred an exchange difference on translation of financial statements of non-PRC entities equivalent to RMB31,000, part of which was resulted from translating the convertible bonds from HKD to RMB.

## **SIGNIFICANT INVESTMENTS HELD**

Except for investments in subsidiaries and associate companies, the Group did not hold any significant investment in equity interest in any other company during the six months ended 30 June 2017.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the six months ended 30 June 2017, save as the above, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies.

## **CAPITAL EXPENDITURES**

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

## **CAPITAL COMMITMENTS**

As at 30 June 2017, 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 RMB39.8 million (as at 31 December 2016: RMB40.9 million).

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 30 June 2017.

## **EQUITY LINKED AGREEMENTS**

### **SHARE OPTION SCHEME**

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

### **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.

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.

As at 30 June 2017, 27,713,950 warrants were issued and remain unexercised. Upon full exercise of the subscription rights attaching to the issued but unexercised warrants, 27,713,950 Shares may be issued and allotted. Please refer to the announcements of the Company dated 19 January 2015 and 24 February 2015 for further details.

### **ISSUE OF CONVERTIBLE BONDS ON 13 APRIL 2015**

On 13 April 2015, the Company issued convertible bonds to the China Huarong International Holdings Limited ("Huarong") in an aggregate principal amount of USD32,610,000. The convertible bonds bear a fixed interest rate of 10% with interest to be paid on a quarterly basis. The convertible bonds will expire at the second anniversary of the issue date and are convertible into ordinary shares of HK\$0.10 each in the issued share capital of the Company at an initial conversion price of HK\$1.40 per share (subject to adjustment). The terms and conditions of the convertible bonds restrict the exercise of conversion right up to an aggregate principal amount of the

# Management Discussion and Analysis

convertible bonds of USD16,300,000, which is convertible to approximately 90,555,555 ordinary shares of the Company (based on a condition in the terms and conditions which provides that based on the agreed exchange rate, the principle amount of the convertible bond shall be deducted by USD0.18 upon the issue of one conversion share). Please refer to the announcements of the Company dated 27 March 2015 and 13 April 2015 for further details.

On 17 August 2016, pursuant to the adjustment provisions of the conversion price as stated in the terms and conditions of the convertible bonds, the conversion price of HK\$1.40 per ordinary share has been adjusted to HK\$1.39 per ordinary share as a result of the issue of the 135,000,000 ordinary shares. All other terms of the convertible bonds remain unchanged. The adjustment has become effective as of 17 August 2016, being the date on which the 135,000,000 ordinary shares were issued. Based on the adjusted conversion price, the convertible bonds is convertible to approximately 90,881,295 ordinary shares of the Company.

On 18 April 2017, convertible bonds of USD16,300,000 had been converted into 90,881,295 ordinary shares. The remaining convertible bonds of USD16,310,000 were fully repaid in cash.

## **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.

## **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 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 AGREEMENT 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.

# Management Discussion and Analysis

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 tonnes 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.

## **EVENTS AFTER THE REPORTING PERIOD**

### **ISSUE OF THE HUARONG CONVERTIBLE BONDS 2017**

Please refer to "ISSUE OF THE HUARONG CONVERTIBLE BONDS 2017" under "EQUITY LINKED AGREEMENTS" in this report and the announcements of the Company dated 31 July 2017 and 11 August 2017 for further details.

### **ISSUE OF THE PROSPER RICH CONVERTIBLE BONDS 2017**

Please refer to "ISSUE OF THE PROSPER RICH CONVERTIBLE BONDS 2017" under "EQUITY LINKED AGREEMENTS" in this report and the announcements of the Company dated 31 July 2017 and 11 August 2017 for further details.

### **EARLY REDEMPTION OF CONVERTIBLE BONDS**

Please refer to "ISSUE OF CONVERTIBLE BONDS ON 12 APRIL 2017" under "EQUITY LINKED AGREEMENTS" in this report and the announcement of the Company dated 11 August 2017 for further details.

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

Please refer to "SIGNING OF ANNUAL PROCUREMENT AGREEMENT INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE" under "EQUITY LINKED AGREEMENTS" in this report and the announcement of the Company dated 15 August 2017 for further details.

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES**

As at 30 June 2017, the interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of part XV) of the directors and chief executives of the Company which would have to be notified to the Company pursuant to Divisions 7 and 8 of part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

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

<b>Name of Director</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholdings<sup>(1)</sup></b>
Mr. Yu Jianqiu	Interest in a controlled corporation <sup>(2)</sup>	1,006,390,400	40.80%
Mr. Huang Weiping	Beneficial owner Interest in a controlled corporations <sup>(3)</sup>	30,964,000 310,317,000	1.25% 12.58%
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 2017.
- (2) The shares were held by Epoch Keen which was 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 of them were wholly-owned companies held by Mr. Huang Weiping.

## Other Information

### (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 <sup>(1)</sup>
Mr. Huang Weiping	Beneficial owner <sup>(4)</sup>	667,000	0.03%
Ms. Zhu Yufen	Beneficial owner <sup>(5)</sup>	3,334,000	0.14%
Mr. Kwong Wai Sun Wilson	Beneficial owner <sup>(6)</sup>	5,000,000	0.20%
Mr. Lee Ting Bun Denny	Beneficial owner <sup>(7)</sup>	1,000,000	0.04%
Mr. Pan Liansheng	Beneficial owner <sup>(8)</sup>	1,000,000	0.04%
Ms. Ren Ruxian	Beneficial owner <sup>(9)</sup>	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 at an exercise price of HK\$1.13 per share on 2 July 2014.
- (5) These equity derivatives were share options granted to Ms. Zhu Yufen under the Share Option Scheme of the Company at an exercise price of HK\$1.13 per share on 2 July 2014.
- (6) These equity derivatives were share options granted to Mr. Kwong Wai Sun Wilson under the Share Option Scheme of the Company at an exercise price of HK\$1.68 per share on 7 May 2015.
- (7) These equity derivatives were share options granted to Mr. Lee Ting Bun Denny under the Share Option Scheme of the Company at an exercise price of HK\$1.68 per share on 7 May 2015.
- (8) These equity derivatives were share options granted to Mr. Pan Liansheng under the Share Option Scheme of the Company at an exercise price of HK\$1.68 per share on 7 May 2015.
- (9) These equity derivatives were share options granted to Ms. Ren Ruxian under the Share Option Scheme of the Company at an exercise price of HK\$3.66 per share on 31 May 2016.

Save as disclosed above, as at 30 June 2017, 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 2017.

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

At 30 June 2017, 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:

#### **(1) LONG POSITION IN THE SHARES OF THE COMPANY**

<b>Name</b>	<b>Note</b>	<b>Capacity in which interests are held</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholdings<sup>(1)</sup></b>
Hong Kong Zhongliang Recycling Mining Investments Limited		Beneficial owner	135,000,000	5.47%
涼山州礦冶投資控股 有限責任公司	2	Interests in a controlled corporation	135,000,000	5.47%
涼山州國有投資發展 有限責任公司		Interests in a controlled corporation	135,000,000	5.47%
涼山彝族自治州國有 資產監督管理委員會		Interests in a controlled corporation	135,000,000	5.47%

## Other Information

Notes:

- (1) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2017.
- (2) Hong Kong Zhongliang Recycling Mining Investments Limited is wholly-owned by 涼山州礦冶投資控股有限責任公司, 74.00% equity interest of 涼山州礦冶投資控股有限責任公司 is held by 涼山州國有投資發展有限責任公司; 62.00% equity interest of 涼山州國有投資發展有限責任公司 is held by 涼山彝族自治州國有資產監督管理委員會. Accordingly, each of 涼山州礦冶投資控股有限責任公司, 涼山州國有投資發展有限責任公司, 涼山彝族自治州國有資產監督管理委員會 is deemed to be interested in the shares of the Company held by Hong Kong Zhongliang Recycling Mining Investments Limited.

### (2) LONG POSITION IN THE UNDERLYING SHARES OF THE COMPANY

Name	Capacity in which Note interests are held	Number of shares held	Approximate percentage of shareholdings <sup>(1)</sup>
Mianyang Science Technology City Development Investment (Group) Co., Ltd.	3 Persons having a security interests in shares	310,317,000	12.58%

Notes:

- (3) On 15 August 2014, Silver Harvest Holdings Limited, Ocean Through Limited, First Harvest Global Limited and Gold Wide Enterprises Limited, shareholders of the Company, has each entered into share charges in respect of their respective shareholding of 103,205,200, 39,401,600, 167,952,400 and 102,963,000 shares of the Company in favour of Mianyang Science Technology City Development Investment (Group) Co., Ltd. ("Mianyang Development Group") as the secured party. On 10 November 2014, Epoch Keen entered into a share charge with Mianyang Development Group, pursuant to which Epoch Keen agreed to charge by way of first fixed charge all its rights, title, interest and benefit in 200,000,000 ordinary shares of the Company in favour of Mianyang Development Group as the secured party. On 31 December 2015, share charges were released for Silver Harvest Holdings Limited and Epoch Keen Limited in respect of 103,205,200 and 200,000,000 shares of the Company.

Other than as disclosed above, as at 30 June 2017, 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.

## Other Information

### SHARE OPTION SCHEME

The Company operates a share option scheme (the “Share Option Scheme”) to provide incentive and/or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of the Company. The Share Option Scheme was conditionally approved by a written resolution of the then shareholders of the Company on 28 January 2014 and has come into effect upon the Company’s Listing on 21 February 2014.

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

Category/name	Date of grant	Number of share options held at 1 January 2017	Changes during the period			Number of share options held at 30 June 2017	Exercise period	Exercise price HK\$	Price of the share of the Company at the grant date of share options HK\$
			Granted	Exercised	Lapsed/Cancelled				
<b>Directors</b>									
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
<b>Eligible person other than directors</b>									
Other employees	2 July 2014	26,955,000	-	-	(188,000)	26,767,000	2 July 2014 to 1 July 2024	1.13	1.07
Other employees	7 May 2015	89,470,000	-	-	(520,000)	88,950,000	7 May 2015 to 6 May 2025	1.68	1.68
Certain eligible participants	23 July 2015	7,600,000	-	(4,500,000)	(3,100,000)	-	24 July 2016 to 23 January 2017	2.16	1.67
Eligible persons other than directors	31 May 2016	31,730,000	-	-	(300,000)	31,430,000	31 May 2016 to 30 May 2026	3.66	3.05
<b>Total</b>		<b>167,756,000</b>	<b>-</b>	<b>(4,500,000)</b>	<b>(4,108,000)</b>	<b>159,148,000</b>			

## Other Information

### VALUE OF SHARE OPTIONS

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

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

Grant date	2 July 2014		7 May 2015		23 July 2015	31 May 2016		
	Share options granted to		Share options granted to		Share options granted to	Share options granted to		
	Executive directors	Other employees	Executive directors	Other employees	Certain eligible participants	Executive directors	Other employees	Certain eligible participants
Fair value at measurement date (HK\$)	0.44	0.39	0.71	0.58	0.22	1.22	1.17	1.45
Share price (HK\$)	1.07	1.07	1.68	1.68	1.67	3.05	3.05	3.05
Exercise price (HK\$)	1.13	1.13	1.68	1.68	2.16	3.66	3.66	3.66
Expected volatility	45.54%	45.54%	46.20%	46.20%	49.43%	50.00%	50.00%	50.00%
Expected life	10 years	10 years	10 years	10 years	1.5 years	10 years	10 years	10 years
Expected dividends	3%	3%	3%	3%	3%	1.47%	1.47%	1.47%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	2.059%	2.059%	1.745%	1.745%	0.239%	1.286%	1.286%	1.286%
Exercise multiple	2.8	2.2	2.8	2.2	-	2.8	2.2	-
Post-vesting exit rate	0%	5.44%	0%	16.12%	-	9.22%	9.22%	-

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

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

Further details relating to the Share Option Scheme and share options granted thereunder are set out in the announcements of the Company dated 2 July 2014, 7 May 2015, 23 July 2015 and 31 May 2016. Apart from the above, the Company had not granted any share options under the Share Option Scheme to any other persons as required to be disclosed under the Rule 17.07 of the Listing Rules during the six months ended 30 June 2017.

### **PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER**

As disclosed in the announcement of the Company dated 30 March 2015, on the same day, Epoch Keen entered into a share charge (“2015 Share Charge”) with Huarong, pursuant to which Epoch Keen agreed to charge by way of first fixed charge all its rights, title and interest in 362,000,000 ordinary shares of the Company (representing 17.20% of the issued share capital of the Company as at the date of the 2015 Share Charge) in favour of Huarong as the secured party.

The 2015 Share Charge has been entered into as security for the liabilities of the Company under a subscription agreement in relation to the issue of convertible bonds due 2017 entered into between the Company and Huarong on 27 March 2015. The 2015 Share Charge has been released along with the conversion and repayment of such convertible bonds on 18 April 2017.

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 the 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 for the six months ended 30 June 2017.

### **CORPORATE GOVERNANCE**

During the six months ended 30 June 2017, 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.

## Other Information

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, an executive Director and an independent non-executive Director were not able to attend the annual general meeting of the Company held on 6 June 2017. 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.

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

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

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

### **REVIEW OF INTERIM REPORT**

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

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

## Other Information

The unaudited interim financial report of the Group for the six months ended 30 June 2017 has been reviewed by the Company's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has also reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2017.

### **ACKNOWLEDGEMENT**

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

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

Hong Kong, 31 August 2017

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017 — unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
<b>Revenue</b>	3	4,208,903	1,464,127
Cost of sales		(4,166,142)	(1,465,735)
<b>Gross profit/(loss)</b>		42,761	(1,608)
Other revenue	5(a)	131,255	99,611
Other net income	5(b)	96,641	14,615
Distribution costs		(9,247)	(10,030)
Administrative expenses		(88,153)	(70,678)
<b>Profit from operations</b>		173,257	31,910
Finance costs	6(a)	(62,972)	(64,118)
<b>Profit/(loss) before taxation</b>	6	110,285	(32,208)
Income tax	7	(24,831)	(5,705)
<b>Profit/(loss) for the period</b>		85,454	(37,913)
<b>Attributable to:</b>			
Equity shareholders of the Company		85,454	(37,115)
Non-controlling interests		—	(798)
<b>Profit/(loss) for the period</b>		85,454	(37,913)
<b>Earnings/(losses) per share</b>	8		
Basic (RMB)		0.04	(0.02)
Diluted (RMB)		0.04	(0.02)

The notes on pages 33 to 54 form part of this interim financial report.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017 — unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
<b>Profit/(loss) for the period</b>	85,454	(37,913)
<b>Other comprehensive income for the period</b>		
<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	(31)	(9,144)
<b>Total comprehensive income for the period</b>	85,423	(47,057)
<b>Attributable to:</b>		
Equity shareholders of the Company	85,423	(46,259)
Non-controlling interests	—	(798)
<b>Total comprehensive income for the period</b>	85,423	(47,057)

The notes on pages 33 to 54 form part of this interim financial report.

# Consolidated Statement of Financial Position

At 30 June 2017 — unaudited  
(Expressed in Renminbi)

	Note	30 June 2017 RMB'000	31 December 2016 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	582,046	594,070
Lease prepayments		96,744	97,794
Interest in associates		37,125	37,435
Goodwill		23,227	23,227
Pledged deposits		4,800	4,800
Other non-current assets		23,352	23,922
Deferred tax assets		48,199	61,638
		<b>815,493</b>	<b>842,886</b>
<b>Current assets</b>			
Inventories	10	563,349	208,200
Trade and other receivables	11	868,773	1,001,927
Amounts due from an associate		481	496
Amounts due from related parties		5,517	4,899
Pledged deposits		49,409	55,926
Cash and cash equivalents	12	255,675	164,142
		<b>1,743,204</b>	<b>1,435,590</b>
<b>Current liabilities</b>			
Trade and other payables	13	380,545	386,529
Obligations under finance leases		12,527	13,322
Bank loans and other borrowings	14	581,294	681,536
Amounts due to an associate		2,969	5,150
Amounts due to a related party		764	764
Liability component of convertible bonds	15	210,932	211,810
Derivative component of convertible bonds	15	—	133,344
Current taxation		17,874	19,645
		<b>1,206,905</b>	<b>1,452,100</b>
<b>Net current assets/(liabilities)</b>		<b>536,299</b>	<b>(16,510)</b>
<b>Total assets less current liabilities</b>		<b>1,351,792</b>	<b>826,376</b>

The notes on pages 33 to 54 form part of this interim financial report.

# Consolidated Statement of Financial Position

At 30 June 2017 — unaudited  
(Expressed in Renminbi)

	Note	30 June 2017 RMB'000	31 December 2016 RMB'000
<b>Non-current liabilities</b>			
Obligations under finance leases		5,655	11,336
Deferred government grants		8,768	7,332
		<b>14,423</b>	<b>18,668</b>
<b>NET ASSETS</b>			
		<b>1,337,369</b>	<b>807,708</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	197,495	182,579
Reserves		1,139,874	625,129
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY AND TOTAL EQUITY</b>			
		<b>1,337,369</b>	<b>807,708</b>

The notes on pages 33 to 54 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 — unaudited  
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Exchange reserve	Capital reserve	Statutory reserves	Share-based payment reserve	Warrant reserve	Retained profits/(accumulated losses)	Total	Non-controlling interests	Total equity
	(Note 16(b)) RMB'000	(Note 16(d)) RMB'000	RMB'000	RMB'000	(Note 16(c)) RMB'000	(Note 16(e)) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2016</b>	166,075	245,136	2,042	132,055	76,142	40,700	12,079	70,759	744,988	9,195	754,183
<b>Changes in equity for the six months ended 30 June 2016:</b>											
Loss for the period	-	-	-	-	-	-	-	(37,115)	(37,115)	(798)	(37,913)
Other comprehensive income	-	-	(9,144)	-	-	-	-	-	(9,144)	-	(9,144)
<b>Total comprehensive income</b>	-	-	(9,144)	-	-	-	-	(37,115)	(46,259)	(798)	(47,057)
Equity settled share-based transactions	-	-	-	-	-	17,821	-	-	17,821	-	17,821
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(2,707)	(2,707)	(5,493)	(8,200)
Share options lapsed	-	-	-	-	-	(241)	-	241	-	-	-
Appropriations to statutory reserves	-	-	-	-	56	-	-	(56)	-	-	-
<b>Balance at 30 June 2016 and 1 July 2016</b>	166,075	245,136	(7,102)	132,055	76,198	58,280	12,079	31,122	713,843	2,904	716,747
Loss for the period	-	-	-	-	-	-	-	(273,705)	(273,705)	-	(273,705)
Other comprehensive income	-	-	(8,324)	-	-	-	-	-	(8,324)	-	(8,324)
<b>Total comprehensive income</b>	-	-	(8,324)	-	-	-	-	(273,705)	(282,029)	-	(282,029)
Issuance of ordinary shares	11,500	288,460	-	-	-	-	-	-	299,960	-	299,960
Exercise of share options	5,004	69,396	-	-	-	(17,855)	-	-	56,545	-	56,545
Appropriation to statutory reserve	-	-	-	-	4,719	-	-	(4,719)	-	-	-
Equity settled share-based transactions	-	-	-	-	-	19,585	-	-	19,585	-	19,585
Share options lapsed	-	-	-	-	-	(330)	-	330	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(196)	(196)	(2,904)	(3,100)
<b>Balance at 31 December 2016</b>	182,579	602,992	(15,426)	132,055	80,917	59,680	12,079	(247,168)	807,708	-	807,708

The notes on pages 33 to 54 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 — unaudited  
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company												
	Share capital	Share premium	Exchange reserve	Capital reserve	Statutory reserves	Share-based payment reserve	Warrant reserve	Convertible bonds equity reserve	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	
<b>Balance at 1 January 2017</b>	182,579	602,992	(15,426)	132,055	80,917	59,680	12,079	-	(247,168)	807,708	-	807,708	
<b>Changes in equity for the six months ended 30 June 2017:</b>													
Profit for the period	-	-	-	-	-	-	-	-	85,454	85,454	-	85,454	
Other comprehensive income	-	-	(31)	-	-	-	-	-	-	(31)	-	(31)	
<b>Total comprehensive income</b>	-	-	(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(b)	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(e)	8,063	241,075	-	-	-	-	-	-	249,138	-	249,138	
Issuance of convertible bonds	15(b)	-	-	-	-	-	-	1,119	-	1,119	-	1,119	
<b>Balance at 30 June 2017</b>		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 33 to 54 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017 — unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
<b>Operating activities</b>			
Cash used in operations		(10,734)	(57,809)
The People's Republic of China ("PRC") Corporate Income Tax paid		(13,163)	(5,469)
<b>Net cash used in operating activities</b>		<b>(23,897)</b>	<b>(63,278)</b>
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		(16,650)	(18,336)
Increase in pledged deposits		(3)	(5)
Interest received		284	23,719
<b>Net cash (used in)/generated from investing activities</b>		<b>(16,369)</b>	<b>5,378</b>

The notes on pages 33 to 54 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017 — unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
<b>Financing activities</b>			
Proceeds from bank loans and other borrowings	14	241,651	164,450
Repayment of bank loans and other borrowings	14	(340,643)	(176,960)
Repayment of sale and leaseback arrangement		(6,361)	(7,085)
Proceeds from advances from local government		5,240	1,000
Repayment of advances from local government		—	(720)
Decrease/(increase) in pledged deposits		5,270	(5,600)
Interest paid		(47,416)	(51,544)
(Repayment to)/advance from related parties		(5,965)	5,005
Proceeds from a loan from a related party		—	63,060
Acquisition of additional interest in subsidiary		—	(8,200)
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)	8,592	—
Repayment of convertible bonds	15(a)	(112,141)	—
<b>Net cash generated from/(used in) financing activities</b>		<b>132,344</b>	<b>(16,594)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>92,078</b>	<b>(74,494)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>164,142</b>	<b>82,559</b>
<b>Effect of foreign exchange rate changes</b>		<b>(545)</b>	<b>631</b>
<b>Cash and cash equivalents at 30 June</b>	12	<b>255,675</b>	<b>8,696</b>

The notes on pages 33 to 54 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION

### (a) GENERAL INFORMATION

China Metal Resources Utilization Limited (the “Company”) was incorporated in the Cayman Islands on 22 February 2013. The Company and its subsidiaries (together referred to as the “Group”) are principally engaged in the manufacturing and sales of copper and related products, 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 31 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the IASB.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## **1 GENERAL INFORMATION AND BASIS OF PREPARATION (continued)**

### **(b) BASIS OF PREPARATION (continued)**

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). KPMG's independent review report to the Board of Directors is included on pages 55 and 56.

The financial information relating to the financial year ended 31 December 2016 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 2016 are available from the Group's registered office. The Company's auditor has reported on those statutory annual consolidated financial statements. The auditor's report was unqualified but included a separate section of material uncertainty related to going concern to which the auditor drew attention without modifying its opinion.

## **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:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Sales from trading of electrolytic copper	3,068,646	1,160,212
Sales of recycled copper products	1,109,265	283,231
Sales of power transmission and distribution cables	4,182	1,109
Sales of communication cables	14,785	15,838
Sales of aluminium products	–	2,986
Sales of scrap materials	11,257	247
Contract manufacturing income	768	504
	<b>4,208,903</b>	<b>1,464,127</b>

One customer (six months ended 30 June 2016: one) of the Group contributed more than 10% of the Group's total revenue for the six months ended 30 June 2017.

# Notes to the Unaudited 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 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 2017.

- (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; and
- (iv) Aluminium products segments: sales of aluminium products.

### (a) SEGMENT RESULTS

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

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

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

	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	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/(loss)	108,154	29,165	(2,711)	(344)	134,264

	Six months ended 30 June 2016				
	Recycled copper products RMB'000	Power transmission and distribution cables RMB'000	Communication cables RMB'000	Aluminium products RMB'000	Total RMB'000
Revenue from external customers	1,444,194	1,109	15,838	2,986	1,464,127
Inter-segment revenue	-	116	-	-	116
Reportable segment revenue	1,444,194	1,225	15,838	2,986	1,464,243
Reportable segment profit/(loss)	10,063	2,952	2,386	(332)	15,069

# 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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
<b>Profit/(loss)</b>		
Reportable segment profit	134,264	15,069
Unallocated head office and corporate expenses	(48,500)	(53,822)
Share of (loss)/profit from associates	(310)	840
Consolidated profit/(loss) after taxation	85,454	(37,913)

### (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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
VAT refunds		
— Comprehensive utilisation of resources (note (i))	39,557	2,953
Government grants (note (ii))	42,414	4,963
Government subsidies (note (iii))	49,000	67,472
Interest income	284	24,223
	131,255	99,611

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 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 2017, the Group was granted unconditional government subsidies of RMB49,000,000 (six months ended 30 June 2016: RMB67,472,000) 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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Change in fair value of derivative component of convertible bonds	(4,815)	(2,663)
Reversal of provision for bad debt	99,790	25,204
Impairment loss of trade debtors and bills receivable	(2,853)	(7,866)
Others	4,519	(60)
	<b>96,641</b>	<b>14,615</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 6 PROFIT/(LOSS) BEFORE TAXATION

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

	<b>Six months ended 30 June</b>	
	<b>2017 RMB'000</b>	<b>2016 RMB'000</b>
<b>(a) Finance costs</b>		
Interest on bank loans and other borrowings	31,728	30,405
Interest on loans from related parties	–	2,990
Finance charges on obligation under finance lease	797	1,319
Interest on convertible bonds	27,617	28,620
Guarantee fees and other charges	2,830	784
	<b>62,972</b>	<b>64,118</b>
<b>(b) Other items</b>		
Cost of inventory	4,166,142	1,465,735
Staff costs	31,539	36,607
Depreciation of property, plant and equipment	17,359	15,823
Amortisation of lease prepayments	1,050	1,061
Reversal of write-down of inventories	(5,288)	(7,480)
Research and development costs	537	695

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 7 INCOME TAX

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
<b>Current tax — PRC Corporate Income Tax</b>		
Provision for the period	13,978	2,898
Over-provision in respect of prior years	(2,586)	(651)
	11,392	2,247
<b>Deferred tax</b>		
Origination and reversal of temporary differences	13,439	3,458
	24,831	5,705

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.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 8 EARNINGS/(LOSS) PER SHARE

### (a) BASIC

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to the equity shareholders of the Company of RMB85,454,000 (six months ended 30 June 2016: loss of RMB37,115,000) and the weighted average number of 2,346,330,259 ordinary shares (six months ended 30 June 2016: 2,105,145,600 shares) in issue during the interim period.

### (b) DILUTED

The calculation of diluted earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of RMB85,454,000 (six months ended 30 June 2016: loss of RMB37,115,000) and the weighted average number of ordinary shares of 2,423,746,223 after adjusting for the options issued during 2014 to 2016 (six months ended 30 June 2016: 2,105,145,600 shares).

## 9 PROPERTY, PLANT AND EQUIPMENT

### (a) ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2017, the Group's additions to property, plant and equipment amounted to RMB5,334,000 (six months ended 30 June 2016: RMB18,761,000). No material disposal of property, plant and equipment was made during the six months ended 30 June 2017 and 2016.

(b) All of the Group's property, plant and equipment are located in the PRC. As at 30 June 2017, property, plant and equipment with net book value of RMB162,443,000 (31 December 2016: RMB202,891,000) were pledged for certain banking facilities granted to the Group (see note 14(b)).

## 10 INVENTORIES

As at 30 June 2017, inventories of RMB58,159,000 (31 December 2016: RMB29,000,000) were pledged for banking facilities granted to the Group (see note 14(b)).

During the six months ended 30 June 2017, RMB5,288,000 (six months ended 30 June 2016: RMB7,480,000) 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 reversal of a write-down of inventories to estimated net realisable value. This reversal arose due to an increase in the estimated net realisable value of copper products 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 2017 RMB'000	31 December 2016 RMB'000
Within 30 days	173,616	113,056
31 to 60 days	49,872	64,698
61 to 180 days	103,808	53,732
Over 180 days	38,117	30,244
Trade debtors and bills receivable, net of allowance for doubtful debts	365,413	261,730
Advance payments to suppliers	405,279	605,450
Government grants receivable	21,463	67,141
Other deposits, prepayments and receivables	76,618	67,606
	<b>868,773</b>	<b>1,001,927</b>

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 2017 RMB'000	Year ended 31 December 2016 RMB'000
At 1 January	237,384	112,830
Reversal of provision for bad debts	(99,790)	(28,574)
Impairment loss recognised	2,853	153,128
As at the end of the reporting period/year	<b>140,447</b>	<b>237,384</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 12 CASH AND CASH EQUIVALENTS

	30 June 2017 RMB'000	31 December 2016 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	255,675	164,142

## 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 2017 RMB'000	31 December 2016 RMB'000
Within 30 days	50,281	6,955
31 to 60 days	22,080	78,799
61 to 180 days	131,888	1,447
Over 180 days	2,753	3,568
Total creditors and bills payable	207,002	90,769
Receipts in advance	3,418	15,397
Accrued expenses and other payables	170,125	280,363
	380,545	386,529

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 14 BANK LOANS AND OTHER BORROWINGS

(a) As at 30 June 2017, the analysis of borrowings is as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Bank loans — secured	282,200	252,970
Entrusted loans — secured	299,094	299,116
— unsecured	—	129,450
	299,094	428,566
	581,294	681,536
<b>Represented by:</b>		
Due within 1 year	581,294	681,536

The Group had overdue entrusted loans totalled RMB299,094,000 (31 December 2016: RMB299,116,000) which matured in August, September and November 2016 respectively. As at 30 June 2017, the negotiation to settle the entrusted loans was on going.

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
Property, plant and equipment (note 9(b))	162,443	202,891
Lease prepayments	89,952	90,936
Inventories (note 10)	58,159	29,000
Government grants receivable	8,550	8,550
Pledged deposits	49,400	55,400
	368,504	386,777

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 15 CONVERTIBLE BONDS

### (a) CONVERTIBLE BONDS ISSUED ON 13 APRIL 2015 (“THE 2015 CBS”):

On 13 April 2015, the Company issued the 2015 CBS with a principal amount of USD32,610,000 (equivalent to approximately RMB200,208,000). The Company incurred transactions cost of approximately HK\$15,497,000 (equivalent to approximately RMB12,277,000) for the issue of the 2015 CBS. For major terms of the 2015 CBS, please refer to the Company’s announcements on 27 March 2015 and 24 October 2016.

The Company received a conversion notice from the bondholder on 11 April 2017 to convert the 2015 CBS in the principal amount of USD16,300,000 (the “Conversion CBS”). Pursuant to the terms and conditions, the Company issued 90,881,295 shares upon conversion of the Conversion CBS at the adjusted conversion price of HK\$1.39. The residual amount of USD16,310,000 (equivalent to approximately RMB112,141,000) was repaid on 12 April 2017.

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

The movements of the components of the 2017 CBS during the current period are set out below:

	<b>Liability component</b> (At amortised cost) RMB’000	<b>Equity component</b> (Residual amount) RMB’000
At the date of issue	214,020	1,119
Interest charge	7,333	–
Interest paid	(5,744)	–
Exchange realignment	(4,677)	–
At 30 June 2017	210,932	1,119

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 15 CONVERTIBLE BONDS (continued)

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

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.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 15 CONVERTIBLE BONDS (continued)

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

- (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.
- (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.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 15 CONVERTIBLE BONDS (continued)

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

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”.

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:

	<b>At issue date</b>
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%

## 16 CAPITAL, RESERVES AND DIVIDENDS

### (a) DIVIDENDS

No interim dividend (six months ended 30 June 2016: nil) was declared during the six months ended 30 June 2017.

No dividend payable to equity shareholders attributable to the previous financial year (six months ended 30 June 2016: nil) was approved or paid during the period.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 16 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
<b>Authorised:</b>			
At 1 January 2016, 31 December 2016, 1 January 2017 and 30 June 2017	0.10	100,000,000,000	10,000,000
	No. of shares	HK\$'000	RMB'000
<b>Issued and fully paid:</b>			
At 1 January 2016	2,105,145,600	210,514	166,075
Issuance of ordinary shares	135,000,000	13,500	11,500
Exercise of share options	57,300,000	5,730	5,004
At 31 December 2016 and 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 (i)	74,074,074	7,407	6,455
At 30 June 2017	2,466,900,969	246,689	197,495

- (i) On 12 June 2017, the Company issued 74,074,074 ordinary shares of HK\$0.1 at a price of HK\$2.70 per share to Prosper Rich Investments Limited. The net proceeds from the issue of these shares amounted to HK\$194,000,000 (equivalent to RMB168,978,000). An amount of HK\$7,407,000 (equivalent to RMB6,455,000), representing the par value of the share issued, was credited to the Company's share capital. The remaining amount of HK\$186,593,000 (equivalent to RMB162,523,000) was credited to the share premium account.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## **16 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.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 17 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 and 31 May 2016.

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

In thousands of options	Number of options for the six months ended 30 June 2017 '000	Weighted-average exercise price for the six months ended 30 June 2017	Number of options for the year ended 31 December 2016 '000	Weighted-average exercise price for the year ended 31 December 2016
Outstanding at 1 January	167,756	1.99	198,800	1.45
Lapsed during the period/year	(4,108)	(2.16)	(6,874)	(1.54)
Exercised during the period/year	(4,500)	(2.16)	(57,300)	(1.13)
Granted during the period/year	–	–	33,130	3.66
Outstanding at the end of the period/year	159,148	2.21	167,756	1.99
Exercisable at the end of the period/year	76,121	1.95	41,294	1.75

## 18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

As at the end of the reporting period, the Group has no financial instrument measured at fair value.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

### (b) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2017.

## 19 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2017 not provided for in the interim financial report were as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Contracted for		
— property, plant and equipment	21,978	23,010
— land use rights	17,871	17,871
Authorised but not contracted for	53,638	53,638
	93,487	94,519

## 20 MATERIAL RELATED PARTY TRANSACTIONS

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

### (a) FINANCING ARRANGEMENTS

	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Interest expense on loan from Epoch Keen Limited, a private company controlled by Mr. Yu Jianqiu	—	2,990

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 20 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (b) OTHER RELATED PARTIES TRANSACTIONS

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Guarantee provided by Baohe Fushan	31,000	35,000
Guarantee provided by Sichuan Gushan Vegetable Fat Chemical Co., Ltd.	10,000	10,000
Delivery cost charged by Mianyang Jin Xunhuan Finance Storage Limited	2,098	652
	43,098	45,652

## 21 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 June 2017:

### (a) EARLY REDEMPTION OF TRANCHE I OF 2017 CBS

The Company redeemed the tranche I of 2017 CBS in the principal amount of HK\$135,000,000 on 11 August 2017 (the "Early Redemption"). The Early Redemption was fully funded by internal resources of the Group.

### (b) ISSUANCE OF NEW CONVERTIBLE BONDS

On 11 August 2017, the Company issued convertible bonds in a principal amount of HK\$400,000,000 to China Huarong International Holdings Limited and a principal amount of HK\$200,000,000 to Prosper Rich Investments Limited. For details, please refer to the Company's announcement on 31 July 2017.

### (c) SIGNING OF ANNUAL PROCUREMENT AGREEMENT INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

On 15 August 2017, the Company, each of the relevant suppliers and each of the relevant subscribers entered into an Annual Procurement Agreement ("the APA"), pursuant to which each of the suppliers agreed to supply a targeted amount of copper scrap raw materials to the Group from 15 August 2017 to 14 August 2018. For each ton of copper scrap raw materials supplied, the Company will pay up to RMB3,000 by way of issuance of a maximum number of 1,172 consideration shares at an issue price of HK\$3.0 per consideration share and pay the remainder of the balance in cash. As the targeted amount of supply of copper scrap raw materials from the suppliers is 56,000 tonnes in aggregate, the maximum number of consideration shares that the Company may issue pursuant to the APA is 65,632,000 Shares. For details, please refer to the Company's announcement on 15 August 2017.



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 25 to 54 which comprises the consolidated statement of financial position of China Metal Resources Utilization Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2017 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

## **SCOPE OF REVIEW**

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

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

## **KPMG**

*Certified Public Accountants*

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

31 August 2017



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



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