



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

2022

INTERIM REPORT
中期報告



CONTENTS

2	Corporate Information
3	Financial Highlights
4	Management Discussion and Analysis
16	Other Information
25	Interim Condensed Consolidated Statement of Profit or Loss
26	Interim Condensed Consolidated Statement of Comprehensive Income
27	Interim Condensed Consolidated Statement of Financial Position
29	Interim Condensed Consolidated Statement of Changes in Equity
31	Interim Condensed Consolidated Statement of Cash Flow
32	Notes to Interim Condensed Consolidated Financial Information

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

Pan Liansheng
Li Wei
Lee Ting Bun Denny
(retired on 28 June 2022)
Ren Ruxian (retired on 28 June 2022)

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 4402-03, COSCO Tower,
183 Queen's Road Central,
Sheung Wan,
Hong Kong

COMPANY SECRETARY

Cheung Ying Kwan

AUDITORS

ZHONG HUI ANDA CPA Limited
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

Pan Liansheng
Li Wei
Lee Ting Bun Denny (retired on 28 June 2022)
Ren Ruxian (retired on 28 June 2022)

REMUNERATION COMMITTEE

Pan Liansheng (*Chairperson*)
Li Wei
Lee Ting Bun Denny (retired on 28 June 2022)
Ren Ruxian (retired on 28 June 2022)

NOMINATION COMMITTEE

Li Wei (*Chairperson*)
Pan Liansheng
Lee Ting Bun Denny (retired on 28 June 2022)
Ren Ruxian (retired on 28 June 2022)

AUTHORIZED REPRESENTATIVES PURSUANT TO THE LISTING RULES

Kwong Wai Sun Wilson
Cheung Ying Kwan
Lee Ting Bun Denny (retired on 28 June 2022)
Ren Ruxian (retired on 28 June 2022)

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
Youxian Rural Credit Cooperative Association

COMPANY WEBSITE

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

STOCK CODE

1636

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2022 RMB'000	2021 RMB'000	
Revenue	1,119,215	3,355,148	
Net loss attributable to the shareholders of the Company	(523,586)	(72,063)	
Loss per share	RMB(0.12)	RMB(0.02)	
	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000	Change
Cash and cash equivalents	7,025	11,953	(41.23)%
Total assets	6,704,053	6,733,999	(0.44)%
Total liabilities	(5,105,159)	(5,024,602)	1.60%
Total Equity	1,598,894	1,709,397	(6.46)%

	For the six months ended 30 June		
	2022 RMB'000	2021 RMB'000	
Net loss margin	(46.78)%	(2.15)%	
Return on equity	(63.83)%	(9.2)%	
	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000	
Inventory turnover days	80.0	12.2	
Receivables turnover days	305.7	105.0	
Payables turnover days	248.3	58.2	
Current ratio	1.2	1.2	
Quick ratio	1.0	1.2	
Debt to equity ratio*	90.2%	105.3%	
Net debt to equity ratio#	89.8%	104.6%	

* Total interest-bearing debts/Total equity.

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

BUSINESS REVIEW

The resurgence of Coronavirus Disease 2019 (“COVID-19”) pneumonia pandemic together with the continued decline of the property sector since last year have had a significant negative impact on the Chinese economy in the first half of 2022. The lockdowns of cities in the People’s Republic of China (the “PRC”) have caused severe disruptions to industrial activities as well as supply chains. The decline in industrial production and construction activities has led to a significant reduction in the demand for basic raw materials, especially metal materials. Consequently, the demand for our copper related products reduced significantly. As a result, the Company (together with its subsidiaries, the “Group”) recorded a decrease in copper product sales by 66.3% in the first half of 2022 as compared to the first half of 2021. Along with the decrease in production and sales volume of recycled copper products, VAT refunds under the Comprehensive Utilisation of Resources Policy also recorded a corresponding decrease in the first half of 2022. In addition, the tight liquidity situation of customers has prolonged the aging of trade receivables leading to an increase in the bad debt provision ratio. Amidst the difficult economic environment, the Group recorded a net loss of approximately RMB523.6 million.

The Company announced that Mianyang Tongxin Copper Co., Ltd. (綿陽銅鑫銅業有限公司) (“Tongxin”), a wholly-owned subsidiary of the Company, and Mianyang Jin Xunhuan Metal Materials Co., Ltd. (綿陽金循環金屬材料有限公司) (“Jin Xunhuan”), a wholly-owned subsidiary of Tongxin and in turn an indirect wholly-owned subsidiary of the Company (collectively, the “Relevant Subsidiaries”), intended to restructure their existing indebtedness through the applicable provisions of the Enterprise Bankruptcy Law of the People’s Republic of China. The restructuring involved the filing of a voluntary application for bankruptcy reorganisation (the “Bankruptcy Reorganisation Application”) with the People’s Court of Youxian District (the “Court”) of Mianyang City, Sichuan Province of the PRC on 6 June 2022.

By filing the Bankruptcy Reorganisation Application with the Court voluntarily and, if approved, there would be a platform for the Relevant Subsidiaries to restructure their existing indebtedness with the relevant creditors, with the sanction by the Court (“Debt Restructuring”). The Debt Restructuring would reduce the debts of the Relevant Subsidiaries, release the intrinsic value and business potential of the quality assets currently held by the Relevant Subsidiaries, and allow the Relevant Subsidiaries to fully utilise such assets to increase the revenue generation ability. Although the Relevant Subsidiaries presently face difficulties in repaying their debts, the Board is of the view that (i) the assets held by the Relevant Subsidiaries are of strategic value; (ii) the Relevant Subsidiaries possess strong technical capabilities pedigree; and (iii) the production and recycling industries in which the Relevant Subsidiaries operate have promising prospects in the PRC in light of the 14th Five-Year Plan published by the PRC

government. After the Debt Restructuring, the Board believes that the Relevant Subsidiaries will be able to continue to operate as a going concern and improve the overall financial position of the Relevant Subsidiaries and the Group. Further, through the Debt Restructuring, the Company hopes to preserve the welfare of the staff of the Relevant Subsidiaries, as a matter of social responsibilities, and contribute to the local community.

FUTURE PROSPECTS/OUTLOOK

The outlook of our business will depend on how quickly the Chinese economy can recover which in turn will depend on the development of COVID-19 pandemic as well as the recovery of the construction and property sector. We believe that after completing the Debt Restructuring, we will have a solid financial base from which to improve our business performance.

Despite the challenging environment, we will continue to work hard to create value for shareholders of the Company.

HUMAN RESOURCES

As at 30 June 2022, the Group had a total of approximately 556 employees (31 December 2021: 592). The Group's staff costs for the six months ended 30 June 2022 were approximately RMB21.3 million. The Group offers competitive remuneration schemes to its employees. In addition, 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 2022 (for the six months ended 30 June 2021: 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 the Group.

The following table sets forth an analysis of our revenue:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Sales from trading of electrolytic copper	–	429,230
Sales of recycled copper products	1,107,971	2,856,319
Sales of power transmission and distribution cables	49	13,289
Sales of communication cables	8,648	46,248
Sales of scrap materials	1,675	8,597
Others	872	1,465
	1,119,215	3,355,148

Revenue for the six months ended 30 June 2022 amounted to RMB1,119.2 million, representing a decrease of 66.6% from RMB3,355.1 million for the six months ended 30 June 2021.

Revenue from copper products amounted to RMB1,108 million for the six months ended 30 June 2022, representing a decrease of 66.3% from RMB3,285.5 million (including revenue from trading of electrolytic copper of RMB429.2 million and revenue from sales of recycled copper products of RMB2,856.3 million) for the six months ended 30 June 2021, reflecting mainly a decrease of 74.1% in the sales volume of all copper products from 66,404 metric tons for the six months ended 30 June 2021 to 17,174 metric tons for the six months ended 30 June 2022, and an increase of 30.4% in average selling price from RMB49,478 per ton for the six months ended 30 June 2021 to RMB64,513 per ton for the six months ended 30 June 2022. Since the Group intended to focus on the sales of recycled copper products, the sales from trading of electrolytic copper decreased from RMB429.2 million for the six months ended 30 June 2021 to nil for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from sales of power transmission and distribution cables amounted to RMB49,000 for the six months ended 30 June 2022, representing a decrease of 99.6% from RMB13.3 million for the six months ended 30 June 2021. Lower revenue from sales of power transmission and distribution cables for the six months ended 30 June 2022 was primarily attributable to the suspension of production as a result of COVID-19. Revenue from sales of communication cables amounted to RMB8.6 million for the six months ended 30 June 2022, representing a decrease of 81.3% from RMB46.2 million for the six months ended 30 June 2021.

LOSS FOR THE PERIOD

Our loss for the six months ended 30 June 2022 was RMB523.6 million whereas loss for the six months ended 30 June 2021 was RMB72.1 million. The increase in loss was mainly due to the decrease of 82.2% in VAT refunds under the Comprehensive Utilisation of Resources Policy from RMB64.5 million for the six months ended 30 June 2021 to RMB11.5 million for the six months ended 30 June 2022 and the increase of 532.9% in provision for doubtful debts from RMB56.3 million for the six months ended 30 June 2021 to RMB356.4 million for the six months ended 30 June 2022.

CAPITAL STRUCTURE

As at 30 June 2022, the capital structure of the Group mainly consisted of shareholders' equity, bank and other borrowings and finance leases and convertible bonds. There is no material seasonality of borrowing requirements for the Group. The following table details the interest rate profile of the Group's total interest-bearing borrowings at the end of reporting periods:

	As at 30 June 2022		As at 31 December 2021	
	Weighted average effective interest rate %	Amount RMB'000	Weighted average effective interest rate %	Amount RMB'000
Fixed rate borrowings:				
Notes payable	12.09	22,509	12.50	21,519
Interest-bearing bank and other borrowings	8.08	1,188,430	7.09	1,185,554
Lease liabilities	18.60	5,404	18.20	7,158
Liability component of convertible bonds	–	–	12.00	585,733
A loan from a related party	9.00	10,000	–	–
The bond	6.00	215,951	–	–
Total fixed rate borrowings		1,442,294		1,799,964

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group's interest-bearing bank and other borrowings and finance lease payables were denominated in RMB but the bonds and notes payable were denominated in HKD, with an aggregate principal amount of HK\$278.8 million.

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

	As at 30 June 2022							As at 31 December 2021							
	Interest-bearing bank and other		Liability component of A loan from convertible bonds party a related			The bond	Total	Interest-bearing bank and other		Liability component of convertible		Total			
	Notes payable	borrowings	Lease liabilities	convertible bonds	of a related party			RMB'000	RMB'000	Notes payable	borrowings		Liabilities	bonds	RMB'000
Within one year or repayable on demand	22,509	1,188,430	4,120	-	10,000	215,951	1,441,010	21,519	1,185,554	3,946	585,733	1,796,752			
After one year but within two years	-	-	1,284	-	-	-	1,284	-	-	1,321	-	1,321			
After two years but within five years	-	-	-	-	-	-	-	-	-	1,891	-	1,891			
	22,509	1,188,430	5,404	-	10,000	215,951	1,442,294	21,519	1,185,554	7,158	585,733	1,799,964			

EXTENSION OF TERM OF CONVERTIBLE BONDS

Reference is made to the convertible bonds in the aggregate principal amount of HK\$600,000,000 issued to Huarong International Holdings Limited ("Huarong") and Prosper Rich Investments Limited ("Prosper Rich") by the Company on 11 August 2017 (the "August 2017 CBs"). The August 2017 CBs issued on 11 August 2017 was matured on 11 August 2019 and a repayment of principal amount of HK\$10,000,000 was made to Huarong on 12 September 2019. The amendment and extension of term of convertible bonds issued to Huarong and Prosper Rich were completed on 7 May 2020. Following the completion, the maturity date of convertible bonds issued to Huarong and Prosper Rich was extended to 11 August 2020.

On 31 December 2021, the Company entered into amendment documents (the "Huarong Amendment Documents") which, amongst others, propose to amend certain terms of the convertible bonds issued to Huarong (the "Huarong CBs") and to extend the maturity date of the Huarong CBs (the "Huarong Maturity Date"). On the same date, Huarong issued the Huarong waiver letter pursuant to which Huarong waived the conversion right under the Huarong convertible bonds subscription agreement. The amendments (the "Amendments") are as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

- Principal:** The outstanding principal amount of the convertible bonds issued to Huarong is amended from HK\$390.0 million to approximately HK\$227.7 million, taking into account the set-off arrangement under the subscription agreement dated 31 December 2021 entered into between the Company and Huarong (the "Huarong Subscription Agreement").
- Maturity Date:** The Huarong Maturity Date shall be extended to (i) 31 December 2022; or (ii) 31 December 2023 provided that the Company gives prior written notice to Huarong at least 60 business days before 31 December 2022 and Huarong gives its consent to such extension, or the next business day from 31 December 2022 or 31 December 2023 (as the case may be) if such date is not a business day.
- Interest Rate:** a. for the period from (and including) the date of issue of the convertible bonds to (and excluding) 12 August 2019, at the rate of 8% per annum; b. for the period from (and including) 12 August 2019 to (and excluding) 30 September 2021, at the rate of 12% per annum; c. for the period from (and including) 30 September 2021 to (and excluding) the effective date, at the rate of 12% per annum; and d. from (and including) the effective date, at the rate of 6% per annum.
- Event of default:** The Company and Huarong have agreed that (i) shares of the Company (the "Shares") held by the management of the Company and their affiliates falling below 50% in respect of the issued share capital of the Company; and (ii) a change in actual controller of the Company, would not constitute events of default under the Huarong CBs terms and conditions.
- The Company and Huarong have further agreed to amend and include as events of default under the Huarong CBs terms and conditions (i) decrease in Shares charged by Mr. Yu Jiangqiu (through Epoch Keen Limited ("Epoch Keen")) in favour of Huarong after the Huarong Effective Date (as defined under the circular of the Company dated 4 February 2022) to less than 200,000,000 Shares; and (ii) failure by the Company to settle its outstanding indebtedness owed to Mianyang Fule Investment Co., Ltd. ("Mianyang Fule") (amounted to RMB45,700,000 (excluding any trade related balances) as at 25 January 2022), Prosper Rich (amounted to HK\$244,374,795 as at 25 January 2022) and Mianyang Science Technology City Development Investment (Group) Co., Ltd.* (綿陽科技城發展投資(集團)有限公司) ("Kefa") (amounted to RMB299,116,000 as at 25 January 2022) by 30 June 2022 by way of issuance of new Shares by the Company and setting off the consideration for such issuance of new Shares against the relevant outstanding indebtedness.

Guarantee and Security:

In relation to the original guarantees and share charges (the details of which are contained in the Company's announcements dated 31 July 2017 and 22 April 2020), confirmation deeds and agreements, amendment agreements, termination agreements and release agreement were executed to re-confirm, amend, terminate and/or release the guarantees and securities in respect of the Company's obligations under the original Huarong convertible bonds subscription agreement, the original Huarong convertible bonds terms and conditions and the Huarong 1st amendment agreement as amended by the Huarong 2nd amendment deed signed on 31 December 2021 (the "Huarong 2nd Amendment Deed"). In particular, 78,000,000 Shares out of the 278,000,000 Shares charged by Epoch Keen in favour of Huarong would be released pursuant to the deed of partial release.

The Amendments were completed on 31 March 2022 pursuant to the terms and conditions of the Huarong 2nd Amendment Deed. Following the completion of the Amendments, (i) the Huarong Maturity Date has been extended to 31 December 2022 (subject to potential further extension to 31 December 2023 as disclosed above); and (ii) the conditions precedent set out in the Huarong waiver letter have been fulfilled and the waiver of the conversion rights under the Huarong CBs has taken effect from 31 March 2022.

Please refer to the announcements of the Company dated 31 July 2017, 22 April 2020, 27 April 2020, 7 May 2020, 9 July 2020, 31 December 2021 and 31 March 2022 and the circular dated 26 May 2022 for further details.

ISSUANCE OF NEW SHARES UNDER GENERAL AND SPECIFIC MANDATES

THE HUARONG SUBSCRIPTION

On 31 December 2021, the Company and Huarong entered into the Huarong Subscription Agreement, pursuant to which the Company conditionally agreed to issue and Huarong conditionally agreed to subscribe for 500,000,000 Shares at a subscription price of HK\$0.465 per subscription share (the "Huarong Subscription").

Upon the completion of the Huarong Subscription, the Company and Huarong entered into a deed of set-off, pursuant to which the Huarong subscription consideration in the sum of HK\$232,500,000 payable by Huarong to the Company shall be set off against the equivalent amount of the outstanding principal amount and accrued interests under the Huarong CBs on a dollar-for-dollar basis.

Please refer to the announcements of the Company dated 22 April 2020, 27 April 2020, 7 May 2020, 9 July 2020, 31 December 2021, 22 and 24 February 2022 and the circular dated 4 February 2022 for further details.

THE PROSPER RICH SUBSCRIPTION

On 31 December 2021, the Company and Prosper Rich entered into a subscription agreement (the “Prosper Rich Subscription Agreement”) pursuant to which the Company conditionally agreed to issue and Prosper Rich conditionally agreed to subscribe for 525,537,194 Shares at a subscription price of HK\$0.465 per ordinary Share (“Prosper Rich Subscription”).

Upon completion of the Prosper Rich Subscription, which took place on 24 February 2022, the Company and Prosper Rich entered into a deed of set-off, pursuant to which the Prosper Rich Subscription consideration in the sum of HK\$244,374,795 payable by Prosper Rich to the Company was set off against the equivalent amount of the outstanding principal amount and accrued interests under the convertible bonds issued to Prosper Rich (the “Prosper Rich CBs”) on a dollar-for-dollar basis, which represent all the outstanding principal amount and accrued interests under the Prosper Rich CBs.

Each of the Company and Prosper Rich agreed to irrevocably and unconditionally fully release and discharge the other party from all claims, liabilities and demands available to it and any claims, right or liabilities which have accrued to it against or are owed to it by any of the other party under or in connection with the Prosper Rich CBs.

Please refer to the announcements of the Company dated 22 April 2020, 27 April 2020, 7 May 2020, 9 July 2020, 31 December 2021, 22 and 24 February 2022 and the circular dated 4 February 2022 for further details.

On 31 December 2021, the closing price of the Shares was HK\$0.174.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group's cash and cash equivalents (excluding pledged deposits of RMB1,054.8 million) amounted to RMB7.0 million (as at 31 December 2021: RMB12.0 million).

The Group's inventories increased by RMB645.8 million to RMB835.3 million (as at 31 December 2021: RMB189.5 million). During the six months ended 30 June 2022, the inventory turnover days were 80.0 days as compared with 12.2 days for the year ended 31 December 2021. Such increase was mainly attributable to the decrease in sales of copper products during the six months ended 30 June 2022.

Trade and bills receivables decreased by RMB842.7 million to RMB1,468.8 million as at 30 June 2022 (as at 31 December 2021: RMB2,311.5 million). During the six months ended 30 June 2022, the receivables turnover days were 305.7 days as compared with 105.0 days for the year ended 31 December 2021. The increase in receivable turnover days was mainly due to the decrease in sales from trading of electrolytic copper which have a shorter debt collection period and the challenging economic environment which resulted in longer debt collection period.

Trade and bills payables increased by RMB495.0 million to RMB1,838.7 million as at 30 June 2022 (as at 31 December 2021: RMB1,343.7 million) while the payable turnover days were 248.3 days, compared with 58.2 days for the year ended 31 December 2021. The increase in payable turnover days as compared to last year was mainly due to the decrease in purchase from the suppliers of electrolytic copper during the six months ended 30 June 2021, which had a shorter credit period.

The Group's total interest-bearing borrowings decreased by RMB357.7 million to RMB1,442.3 million as at 30 June 2022 (31 December 2021: RMB1,800.0 million). The increase was mainly due to the settlement of principal amount and accrued interests under the convertible bonds by issuance of ordinary shares.

Bank loans and other borrowings included three entrusted loans totalling 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) ("Kefa"), a state-owned enterprise in the PRC. Pursuant to the entrusted loan agreement signed among Tongxin, a wholly owned subsidiary of the Company, Kefa and the entrusted bank, the entrusted loans expired on 27 August 2016, 23 September 2016 and 18 November 2016 respectively. Kefa, the entrusted bank and Tongxin further agreed that the entrusted loan would not be repayable until further agreed otherwise. On 16 July 2020, the Company entered into a non-legally binding framework agreement with Kefa. Under the framework agreement, it is intended, among others, that Kefa will subscribe for Shares for a consideration of more than RMB300 million. The intended uses of the proceeds from Kefa will include, but not be limited to, the repayment of entrusted loans amounting to approximately RMB299 million as at 30 June 2022 owed by the Group to Kefa. As of the date of this report, the discussion with Kefa on the potential subscription for Shares is still ongoing.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 30 June 2022	As at 31 December 2021
Current ratio	1.2	1.2
Quick ratio	1.0	1.2
Debt to equity ratio*	90.2%	105.3%
Net debt to equity ratio [#]	89.8%	104.6%

* Total interest-bearing debts/Total equity.

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

The decrease of quick ratio as at 30 June 2022 compared with those as at 31 December 2021 was primarily attributable to the increase in inventory from RMB189.5 million as at 31 December 2021 to RMB835.3 million as at 30 June 2022.

The decrease in debt to equity ratio as at 30 June 2022 as compared with that as at 31 December 2021 was attributed to the issuance of ordinary shares to settle the principal amount and accrued interests of the convertible bonds during the six months ended 30 June 2022.

CHARGE ON ASSETS

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

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Property, plant and equipment	264,316	284,174
Right-of-use assets	87,215	88,526
Inventories	136,840	136,840
Trade receivables	641,947	641,947
Deposits with guarantee companies	1,075	1,075
Deposits with banks	1,022,021	841,760
Deposits with lessors of finance leases	4	16
Deposit with other companies	31,743	30,508
	2,185,161	2,024,846

COMMODITY RISK

The major raw materials used in the production of our recycled copper products are scrap copper. We are exposed to fluctuations in the prices of raw materials as well as finished goods which are influenced by global as well as regional supply and demand conditions. Fluctuations in the copper prices could adversely affect our financial performance. The Group uses copper futures contracts to mitigate part of its exposure against price fluctuations of copper. The market value of futures contract is based on the quoted market price as at the date of consolidated statement of financial position. The Group did not have any outstanding copper futures contracts as at 30 June 2022 (as at 31 December 2021: Nil). Net loss of nil was recognized for the six months ended 30 June 2022 (six months ended 30 June 2021: net loss of RMB0.3 million) from futures contracts.

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, loan from a related party, note payable, the convertible bonds and contingent consideration liabilities, all of which are mainly denominated in HKD. The balance of cash and cash equivalents as at 30 June 2022 including HK\$0.2 million and USD5,488 (in total equivalent to approximately RMB0.2 million) were held in banks in Hong Kong.

As at 30 June 2022, the Group's interest-bearing bank and other borrowings and finance lease payables were denominated in RMB but the bond issued to Huarong and notes payable were denominated in HKD, with an aggregate principal amount of HK\$278.8 million. The consideration liability in respect of the acquisition of Value Link Developments Limited amounted to HK\$152.9 million was also denominated in HKD. The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the six months ended 30 June 2022. During the six months ended 30 June 2022, the Company incurred an exchange difference on translation of financial statements of entities outside of mainland China equivalent to RMB23.9 million, part of which was resulted from translating the note payable, loan from a related party, convertible bonds and contingent consideration liabilities from HKD to RMB.

SIGNIFICANT INVESTMENTS HELD

Saved as disclosed elsewhere in this report, except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interests in any other companies during the six months ended 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2022, the Group did not have any material acquisitions or disposals of subsidiaries or affiliated companies.

CAPITAL EXPENDITURES

For the six months ended 30 June 2022, the Group's capital expenditures represent additions to property, plant and equipment (including construction in progress) and right of use of assets in respect of land use right of approximately RMB51,000 (2021: RMB0.9 million). The capital expenditures were mainly financed from internal resources.

CAPITAL COMMITMENTS

As at 30 June 2022, the capital commitments in respect of the acquisition of property, plant and equipment and right of use of assets in respect of land contracted for but not provided in the consolidated financial statements amounted to RMB44.8 million (as at 31 December 2021: RMB44.8 million).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2022.

EQUITY LINKED AGREEMENTS

SHARE OPTION SCHEME

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

EVENTS AFTER THE REPORTING PERIOD

BANKRUPTCY REORGANISATION APPLICATION OF TWO PRC SUBSIDIARIES OF THE COMPANY

Reference is made to the announcement of the Company dated 6 June 2022 in relation to the Bankruptcy Reorganisation Application made by the Relevant Subsidiaries which was filed with the Court on 6 June 2022. On 3 August 2022, the Company received the Court's civil ruling dated 29 July 2022. According to the civil ruling, the Court has accepted the Bankruptcy Reorganisation Application. On 5 August 2022, the Company received the Court's decision dated 4 August 2022 regarding the designation of Sichuan Dingtian Law Firm* (四川鼎天律師事務所) and Sichuan Chunlei Law Firm* (四川春雷律師事務所) as the joint provisional administrators for the Debt Restructuring.

Except for the above, there is no significant event subsequent to 30 June 2022 which would materially affect the Group's operating and financial performance as at the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2022, the interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), of the directors and chief executives of the Company which would have to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), were as follows:

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

Name of Director	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholdings⁽¹⁾
Mr. Yu Jianqiu	Interest in a controlled corporation ⁽²⁾	532,794,400	11.89%
Mr. Huang Weiping	Beneficial owner Interest in a controlled corporations ⁽³⁾	6,204,000 310,317,000	0.14% 6.92%
Mr. Kwong Wai Sun Wilson	Beneficial owner	3,272,600	0.07%

Notes:

- (1) The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2022.
- (2) The shares were held by Mr. Yu Jianqiu, Chairman and an executive director of the Company, together with Epoch Keen, a company wholly-owned by Mr. Yu Jianqiu.
- (3) The shares were held by First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited. All these companies are wholly-owned by Mr. Huang Weiping.

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

Name of Director	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholdings⁽¹⁾
Ms. Zhu Yufen	Beneficial owner ⁽⁴⁾	3,000,000	0.07%
Mr. Kwong Wai Sun Wilson	Beneficial owner ⁽⁵⁾	4,000,000	0.09%
Mr. Pan Liansheng	Beneficial owner ⁽⁶⁾	1,000,000	0.02%

Notes:

- (4) These equity derivatives were share options granted to Ms. Zhu Yufen under the Share Option Scheme of the Company on 14 December 2021. Please see the section headed "Share Option Scheme" for further details.
- (5) These equity derivatives were share options granted to Mr. Kwong Wai Sun Wilson under the Share Option Scheme of the Company on 14 December 2021. Please see the section headed "Share Option Scheme" for further details.
- (6) These equity derivatives were share options granted to Mr. Lee Ting Bun Denny under the Share Option Scheme of the Company on 14 December 2021. Please see the section headed "Share Option Scheme" for further details.

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 2022.

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

At 30 June 2022, the following persons (not being a director or chief executive of the Company) had interests of 5% or more of the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

Name	Note	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholdings ⁽¹⁾
Quaetus Capital Pte Ltd	2	Beneficial interests	280,312,902	6.25%
Kwek Steven Poh Song	3	Interests in a controlled corporation	280,312,902	6.25%
Mianyang Fule Investment Co., Ltd.* (綿陽富樂投資有限公司)	4	Beneficial interests and interests in a controlled corporation	717,994,566	16.02%
Prosper Rich Investments Limited	5	Beneficial interests	557,627,268	12.44%
Leung Lisa	6	Interests in a controlled corporation	557,627,268	12.44%
Mianyang Yuan Cheng Ronghe Development Group Co., Ltd.* (綿陽園城融合發展集團有限責任公司) ("Mianyan Yuan Cheng")	7	Beneficial interests	500,000,000	11.16%

Notes:

- (1) The percentage represents the number of ordinary Shares divided by the number of the Company's issued shares as at 30 June 2022.
- (2) These interests represented Quaestus Capital Ptd Ltd's beneficial interests in 280,312,902 Shares. The interests were disclosed based on the disclosure of interest filing made by Quaestus Capital Ptd Ltd on 3 April 2020.
- (3) Quaestus Capital Pte Ltd is 80% controlled by Kwek Steven Poh Song. Kwek Steven Poh Song was deemed to be interested in such Shares under the SFO. The interests were disclosed based on the disclosure of interest filing made by Kwek Steven Poh Song on 3 April 2020.

- (4) These interests represented Mianyang Fule's beneficial interests in 694,470,566 Shares and interests in a controlled corporation of 23,524,000 Shares. Mianyang Fule is 100% ultimately controlled by The People's Government of Mianyang Municipality (綿陽市人民政府).
- (5) These interests represented Prosper Rich beneficial interests in 557,627,268 Shares. The interests were disclosed based on the disclosure of interest filing made by Prosper Rich on 25 February 2022.
- (6) Prosper Rich is 100% controlled by Leung Lisa. Leung Lisa was deemed to be interested in such Shares under the SFO. The interests were disclosed based on the disclosure of interest filing made by Leung Lisa on 25 February 2022.
- (7) These interests represented Mianyang Yuan Cheng's beneficial interests in 500,000,000 Shares. The interests were disclosed based on the disclosure of interest filing made by Mianyang Yuan Cheng on 17 June 2022.

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

Name	Note	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholdings ⁽¹⁾
Mianyang Science Technology City Development Investment (Group) Co., Ltd. * (綿陽科技城發展投資(集團)有限公司)	1	Persons having a security interests in shares	310,317,000	6.92%
China Huarong Asset Management Co., Ltd* (中國華融資產管理股份有限公司)	2	Interests in a controlled corporation	790,485,295	17.64%

Notes:

- (1) On 15 August 2014, 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 39,401,600, 167,952,400 and 102,963,000 shares of the Company in favour of Kefa as the secured party.

- (2) These interests represented (i) Huarong's beneficial interests in 90,485,295 Shares; (ii) derivative interests in 200,000,000 underlying shares derived from the share charges entered into between Epoch Keen and Huarong; and (iii) derivative interests in 500,000,000 underlying shares derived from the share charge entered into between Mianyang Yuan Cheng and Huarong.

Epoch Keen entered into a share charge, a confirmatory share charge and a supplemental share charge with Huarong on 8 August 2017, 22 April 2020 and 31 March 2022, respectively, pursuant to which Epoch Keen charged 200,000,000 Shares 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 the Huarong CB 2017.

These Shares are held by China Huarong Asset Management Co., Ltd. through Huarong Real Estate Co., Ltd., Huarong Zhiyuan Investment & Management Co., Ltd. and China Huarong International Holdings Limited, based on the disclosure of interest filing made by China Huarong Asset Management Co., Ltd. on 1 June 2022.

Other than as disclosed above, as at 30 June 2022, the directors had not been notified by any person (not being the directors or chief executive of the Company) who had 5% or more interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") to provide incentive and/or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of the Company. The Share Option Scheme was conditionally approved by a written resolution of the then shareholders of the Company on 28 January 2014 and has come into effect upon the Company's Listing on 21 February 2014. The scheme mandate limit was refreshed by a resolution passed at the annual general meeting held on 9 June 2015 and was further refreshed by a resolution passed at the extraordinary general meeting held on 22 February 2022.

OTHER INFORMATION

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

Category	Date of grant	Number of Options held at 1 January 2022	Changes during the period				Number of Options held at 30 June 2022	Exercise period of Options	Exercise price of Options	Price of Share at the grant date of Options
			Granted	Exercised	Cancelled	Lapsed				
Directors										
Mr. Kwong Wai Sun Wilson	14 December 2021	4,000,000	-	-	-	-	4,000,000	14 December 2021 to 13 December 2031	0.465	0.168
Ms. Zhu Yufen	14 December 2021	3,000,000	-	-	-	-	3,000,000	14 December 2021 to 13 December 2031	0.465	0.168
Mr. Pan Liansheng	14 December 2021	1,000,000	-	-	-	-	1,000,000	14 December 2021 to 13 December 2031	0.465	0.168
Mr. Lee Ting Bun Denny (Retired)	14 December 2021	1,000,000	-	-	-	(1,000,000)	-	14 December 2021 to 13 December 2031	0.465	0.168
Ms. Ren Ruxian (Retired)	14 December 2021	1,000,000	-	-	-	(1,000,000)	-	14 December 2021 to 13 December 2031	0.465	0.168
Eligible Persons other than Directors										
Employees	7 May 2015	14,000,000	-	-	-	-	14,000,000	7 May 2015 to 6 May 2025	1.68	1.68
Consultants	7 May 2015	13,000,000	-	-	-	-	13,000,000	7 May 2015 to 6 May 2025	1.68	1.68
Others-suppliers	12 December 2017	744,224	-	-	-	-	744,224	12 December 2017 to 11 December 2022	3.70	3.70
Others-customers	12 December 2017	64,110	-	-	-	-	64,110	12 December 2017 to 11 December 2022	3.70	3.70
Employees	14 December 2021	127,000,000	-	-	-	(6,675,000)	120,325,000	14 December 2021 to 13 December 2031	0.465	0.168
Total		164,808,334	-	-	-	(8,675,000)	156,133,334			

VALUE OF SHARE OPTIONS

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

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

Grant date	2 July 2014		7 May 2015		23 July 2015*	31 May 2016		12 December 2017		14 December 2021	
	Options granted to		Options granted to		Options granted to	Options granted to		Options granted to		Options granted to	
	Directors	Other employees	Directors	Other employees	Certain eligible participants	Directors	Other employees	Certain eligible participants	Certain eligible participants	Directors	Other employees
Fair value at measurement date (HK\$)	0.44	0.39	0.71	0.58	0.22	1.22	1.17	1.45	1.45	0.1003	0.08111
Share price (HK\$)	1.07	1.07	1.68	1.68	1.67	3.05	3.05	3.05	3.70	0.168	0.168
Exercise price (HK\$)	1.13	1.13	1.68	1.68	2.16	3.66	3.66	3.66	3.70	0.465	0.465
Expected volatility	45.54%	45.54%	46.20%	46.20%	49.43%	50.00%	50.00%	50.00%	41.61%	84.7%	84.7%
Historical volatility	45.54%	45.54%	46.20%	46.20%	49.43%	50.00%	50.00%	50.00%	41.61%	84.7%	84.7%
Expected life	10 years	10 years	10 years	10 years	1.5 years	10 years	10 years	10 years	6.3 years	10 years	10 years
Expected dividends	3%	3%	3%	3%	3%	1.47%	1.47%	1.47%	0.92%	0%	0%
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%	1.647%	1.271%	1.271%
Exercise multiple	2.8	2.2	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%	-	-	0%	8.05%

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

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

Further details relating to the Share Option Scheme and share options granted thereunder are set out in the announcements of the Company dated 2 July 2014, 7 May 2015, 31 May 2016, 12 December 2017 and 14 December 2021. The Company had not granted any share options under the Share Option Scheme to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules during the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the six months ended 30 June 2022.

CORPORATE GOVERNANCE

During the six months ended 30 June 2022, the Company has applied the principles of and is in compliance with all code provisions of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules save as disclosed below.

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

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

The Company has adopted a code of conduct regarding the directors' securities transactions on terms not less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all directors confirmed that they had complied with the required standards set out in the Model Code and the code of conduct regarding the directors' securities transactions throughout the six months ended 30 June 2022.

CHANGE OF DIRECTORS

At the conclusion of the Company's annual general meeting (the "AGM") on 28 June 2022, each of Ms. Ren Ruxian and Mr. Lee Ting Bun Denny retired as an independent non-executive director ("INED").

Mr. Li Wei was elected by the shareholders of the Company at the AGM as an INED.

NON-COMPLIANCE WITH RULES 3.10 AND 3.21 OF THE LISTING RULES

According to Rule 3.10(1) of the Listing Rules, the Company is required to have at least three INEDs. According to Rule 3.10(2) of the Listing Rules, at least one of the INEDs of the Company must have appropriate professional qualifications or accounting or related financial management expertise (the "Qualification"). According to Rule 3.21 of the Listing Rules, the audit committee of the Company must comprise a minimum of three members, and at least one of whom is an INED who has the Qualification.

As disclosed in the announcement of the Company dated 28 June 2022, following the retirement of Ms. Ren Ruxian and Mr. Lee Ting Bun Denny as INEDs at the conclusion of the AGM on 28 June 2022 and the appoint of Mr. Li Wei at the AGM as an INED:

- (1) the Company only has two INEDs, thus the number of INEDs falls below the minimum number required under Rule 3.10(1) of the Listing Rules;
- (2) there is no INED who has the Qualification as required under Rule 3.10(2) of the Listing Rules;
- (3) the audit and corporate governance committee (the "Audit Committee") comprises no INED with the Qualification as required under Rule 3.21 of the Listing Rules; and
- (4) the Audit Committee only has two members, thus the number of members falls below the minimum number required under Rule 3.21 of the Listing Rules.

The Company is endeavoring to identify a suitable candidate to fill up the vacancy of INED with appropriate Qualification to meet the requirements set out in Rules 3.10 and 3.21 of the Listing Rules as soon as practicable.

Please refer to the Company's announcement dated 28 June 2022 for further details.

REVIEW OF INTERIM REPORT

The Audit Committee has two members as at the date of this interim report, all of them are INEDs, namely Mr. Li Wei and Mr. Pan Liansheng, with written terms of reference in compliance with the Listing Rules.

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

The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2022.

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 2022

* For identification purposes only

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in Renminbi) For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue	4	1,119,215	3,355,148
Cost of sales		(1,159,825)	(3,319,898)
Gross (loss)/profit		(40,610)	35,250
Other income and gain, net	5	63,700	126,579
Selling and distribution expenses		(4,608)	(7,942)
Administrative expenses		(56,817)	(71,735)
Provision for doubtful debts, net		(356,359)	(56,344)
Finance costs		(125,834)	(78,658)
Share of profits of associates		(89)	(282)
Loss before tax	6	(520,617)	(53,132)
Income tax expense	7	(2,969)	(18,931)
Loss for the period attributable to owners of the Company		(523,586)	(72,063)
Loss per share	8		
Basic (RMB)		(0.12)	(0.02)
Diluted (RMB)		(0.12)	(0.02)

The notes on pages 32 to 58 form part of this interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Renminbi) For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Loss for the period	(523,586)	(72,063)
Other comprehensive loss for the period		
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent period:</i>		
Exchange differences on translation of the Company	23,895	6,208
Total comprehensive loss for the period, attributable to owners of the Company	(499,691)	(65,855)

The notes on pages 32 to 58 form part of this interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi) At 30 June 2022

	Note	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	9	489,919	512,702
Interests in associates		47,912	48,001
Right of use assets		109,797	113,202
Prepayments, other receivables and other assets	11	19,398	19,756
		667,026	693,661
Current assets			
Inventories	10	835,334	189,455
Trade and bills receivables	11	1,468,827	2,311,465
Prepayments, other receivables and other assets	11	2,645,995	2,628,316
Amounts due from associates		24,870	25,780
Amounts due from related parties		133	10
Pledged deposits		1,054,843	873,359
Cash and cash equivalents		7,025	11,953
		6,037,027	6,040,338
Current liabilities			
Trade and bills payables	12	1,838,723	1,343,685
Note payable		22,509	21,519
Other payables and accruals	12	1,538,661	1,605,871
Consideration liabilities		130,742	121,383
Interest-bearing bank and other borrowings	13	1,188,430	1,185,554
Lease liabilities		4,120	3,946
Amount due to a related party		57,115	55,777
Loan from a related party		10,000	–
Liability component of convertible bonds		–	585,733
The bond		215,951	–
Tax payable		93,612	90,428
		5,099,863	5,013,896
		937,164	1,026,442
		1,604,190	1,720,103

The notes on pages 32 to 58 form part of this interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi) At 30 June 2022

	Note	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Non-current liabilities			
Lease liabilities		1,284	3,212
Deferred government grants		3,076	6,558
Deferred tax liabilities		936	936
		5,296	10,706
NET ASSETS			
		1,598,894	1,709,397
EQUITY			
Share capital	14	363,611	280,461
Reserves		1,235,283	1,428,936
TOTAL EQUITY			
		1,598,894	1,709,397

The notes on pages 32 to 58 form part of this interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Renminbi) For the six months ended 30 June 2022

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Share-based payment reserve RMB'000	Convertible bonds equity reserve RMB'000	Consideration share reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2022	280,461	1,901,321	(11,386)	132,055	144,659	14,938	-	-	(752,651)	1,709,397
Loss for the year	-	-	-	-	-	-	-	-	(523,586)	(523,586)
Other comprehensive loss for the year: Exchange differences on translation of the Company	-	-	23,895	-	-	-	-	-	-	23,895
Total comprehensive loss for the year	-	-	23,895	-	-	-	-	-	(523,586)	(499,691)
Issuance of ordinary shares to settle the convertible bonds	83,150	303,496	-	-	-	-	-	-	-	386,646
Appropriation to statutory reserves	-	-	-	-	365	-	-	-	(365)	-
Equity-settled share option arrangement	-	-	-	-	-	2,542	-	-	-	2,542
At 30 June 2022	363,611	2,204,817	12,509	132,055	145,024	17,480	-	-	(1,276,602)	1,598,894

The notes on pages 32 to 58 form part of this interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Renminbi) For the six months ended 30 June 2022

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Share-based payment reserve RMB'000	Convertible bonds equity reserve RMB'000	Consideration share reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2021	211,741	1,538,809	(35,106)	132,055	131,938	76,004	22,285	138,486	(728,077)	1,488,135
Loss for the year	-	-	-	-	-	-	-	-	(72,063)	(72,063)
Other comprehensive loss for the year:										
Exchange differences on translation of the Company	-	-	6,208	-	-	-	-	-	-	6,208
Total comprehensive loss for the year	-	-	6,208	-	-	-	-	-	(72,063)	(65,855)
Issuance of ordinary shares	51,667	209,786	-	-	-	-	-	-	-	261,453
Issuance of consideration shares	2,829	135,657	-	-	-	-	-	(138,486)	-	-
Appropriation to statutory reserves	-	-	-	-	17,408	-	-	-	(17,408)	-
Lapse of share options	-	-	-	-	-	(3,462)	-	-	3,462	-
At 30 June 2021	266,237	1,884,252	(28,898)	132,055	149,346	72,542	22,285	-	(814,086)	1,683,733

The notes on pages 32 to 58 form part of this interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

(Expressed in Renminbi) For the six months ended 30 June 2022

	30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
Net cash flows generated from/(used in) operating activities	150,595	(313,313)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(51)	(880)
Interest received	3,782	4,214
Proceed received from disposal of items of property, plant and equipment	557	–
Increase/(decrease) in pledged deposit	(181,483)	361,093
Advances to associates	(267)	–
Repayment from associates	1,200	–
Net cash flows (used in)/generated from investing activities	(176,262)	364,427
FINANCING ACTIVITIES		
Proceeds from bank loans and other borrowings	17,800	4,900
Repayment of bank loans and other borrowings	(17,824)	(50,756)
Advance from related parties and associates, net	993	16,371
Interest paid	(16,054)	(28,211)
Guarantee fees and other charges	–	(9)
Principal portion of lease liabilities/finance lease payments	(2,513)	(2,599)
Net cash flows used in financing activities	(17,598)	(60,304)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,265)	(9,190)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	11,953	47,321
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	38,337	(13,326)
CASH AND CASH EQUIVALENTS AT 30 JUNE	7,025	24,805

The notes on pages 32 to 58 form part of this interim financial report.

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION AND BASIS OF PREPARATION

(a) GENERAL INFORMATION

China Metal Resources Utilization Limited (the “Company”) was incorporated in the Cayman Islands on 22 February 2013.

The Company and its subsidiaries (together referred to as the “Group”) are principally engaged in the manufacturing, sales and trading of copper, aluminium and related products. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) since 21 February 2014. In the opinion of the directors, the holding company and ultimate holding company of the Company is Epoch Keen Limited (“Epoch Keen”), which is incorporated in the British Virgin Islands (“BVI”).

(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 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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.

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION AND BASIS OF PREPARATION (continued)

(b) BASIS OF PREPARATION (continued)

This interim financial report contains unaudited interim condensed consolidated financial information 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 2021 annual financial statements. The unaudited condensed consolidated interim financial information 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.

The financial information relating to the financial year ended 31 December 2021 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 2021 are available from the Group’s registered office.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, for the first time for the current period’s financial information.

For these unaudited consolidated financial results, the Group has applied the new and amendments to IFRSs and interpretations. The adoption of new and revised standards did not have substantial effect on the financial performance and position of the Group.

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) Recycled copper products segment: use of scrap copper and electrolytic copper for the manufacturing and trading of recycled copper products, and trading of electrolytic copper and nickel products;
- (b) Power transmission and distribution cables segment: manufacturing and sales of power transmission and distribution cables; and
- (c) Communication cables segment: manufacturing and sales of communication cables.

(a) SEGMENT RESULTS

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that certain interest income, corporate and other unallocated income/(expenses), certain finance costs as well as share of profits of associates are excluded from such measurement.

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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING (continued)

(a) SEGMENT RESULTS (continued)

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

	For the six months ended 30 June 2022			
	Recycled copper products (Unaudited) RMB'000	Power transmission and distribution cables (Unaudited) RMB'000	Communication cables (Unaudited) RMB'000	Total (Unaudited) RMB'000
Sales to external customers	1,110,518	49	8,648	1,119,215
Intersegment sales	–	3,694	508	4,202
	1,110,518	3,743	9,156	1,123,417
<i>Reconciliation:</i>				
Elimination of intersegment sales				(4,202)
Revenue				1,119,215
Segment results	(354,988)	(22,809)	(4,190)	(381,987)
Interest income	17,363	–	–	17,363
Corporate and other unallocated expense				(45,913)
Finance costs	(103,667)	(2,696)	(3,628)	(109,991)
Share of losses of associates				(89)
Loss before tax				(520,617)
Other segment information				
Depreciation and amortisation	(18,660)	(4,641)	(1,500)	(24,801)
VAT refunds, government grants and subsidies	85,563	1	44	85,608
(Provision)/reversal of provision for doubtful debts, net	(370,504)	14,215	(70)	(356,359)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING (continued)

(a) SEGMENT RESULTS (continued)

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

	For the six months ended 30 June 2021			
	Recycled copper products (Unaudited) RMB'000	Power transmission and distribution cables (Unaudited) RMB'000	Communication cables (Unaudited) RMB'000	Total (Unaudited) RMB'000
Sales to external customers	3,295,610	13,289	46,249	3,355,148
Intersegment sales	159,831	8,725	10,543	179,099
	3,455,441	22,014	56,792	3,534,247
<i>Reconciliation:</i>				
Elimination of intersegment sales				(179,099)
Revenue				3,355,148
Segment results	43,260	(5,198)	(15,193)	22,869
Interest income	4,206	6	1	4,213
Corporate and other unallocated income				(30,623)
Change in fair value of contingent consideration liabilities				(1,459)
Change in fair value of derivative financial instrument				(232)
Finance costs	(45,061)	(1,796)	(761)	(47,618)
Share of losses of associates				(282)
Loss before tax				(53,132)
Other segment information				
Depreciation and amortisation	(20,230)	(4,905)	(1,465)	(26,600)
VAT refunds, government grants and subsidies	119,000	26	215	119,241
(Provision)/reversal of provision for doubtful debts, net	(63,523)	75	7,104	(56,344)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING (continued)

(b) GEOGRAPHIC INFORMATION

The Group carried out its business operations in the People's Republic of China ("PRC"), thus no separate geographical segment analysis based on the location of assets and the revenue and profit or loss are presented.

(c) INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from each of the major customers, which contributed 10% or more of the Group's revenue, is set out below:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Recycled copper product segment		
Customer A	153,897	N/A
Customer B	148,842	N/A
Customer C	120,564	–
Customer D	N/A	597,680
	423,303	597,680

4 REVENUE

Revenue from contracts with customers are mainly derived from manufacturing and sales of copper and related products in the PRC, of which the revenue was recognised at a point of time when goods were transferred.

The amount of each significant category of revenue is as follows:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue from trading of electrolytic copper	–	429,230
Sales of recycled copper products	1,107,971	2,856,319
Sales of power transmission and distribution cables	49	13,289
Sales of communication cables	8,648	46,248
Sales of scrap materials	1,675	8,597
Others	872	1,465
	1,119,215	3,355,148

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE (continued) DISAGGREGATED REVENUE INFORMATION

	For the six months ended 30 June 2022			
	Recycled copper products (Unaudited) RMB'000	Power	Communication cables (Unaudited) RMB'000	Total (Unaudited) RMB'000
		transmission		
		and distribution cables (Unaudited) RMB'000		
Revenue from trading of electrolytic copper	-	-	-	-
Sales of recycled copper products	1,107,971	-	-	1,107,971
Sales of power transmission and distribution cables	-	49	-	49
Sales of communication cables	-	-	8,648	8,648
Sales of scrap materials	1,675	-	-	1,675
Others	872	-	-	872
	1,110,518	49	8,648	1,119,215

	For the six months ended 30 June 2021			
	Recycled copper products (Unaudited) RMB'000	Power	Communication cables (Unaudited) RMB'000	Total (Unaudited) RMB'000
		transmission		
		and distribution cables (Unaudited) RMB'000		
Revenue from trading of electrolytic copper	429,230	-	-	429,230
Sales of recycled copper products	2,856,319	-	-	2,856,319
Sales of power transmission and distribution cables	-	13,289	-	13,289
Sales of communication cables	-	-	46,248	46,248
Sales of scrap materials	8,597	-	-	8,597
Others	1,465	-	-	1,465
	3,295,611	13,289	46,248	3,355,148

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE (continued)

DISAGGREGATED REVENUE INFORMATION (continued)

Performance obligations

Information about the Group's performance obligations is summarised below:

SALE OF GOODS

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 3 months from delivery, except for new customers, where payment in advance is normally required.

5 OTHER INCOME AND GAIN, NET

		For the six months ended 30 June	
	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
VAT refunds			
— Comprehensive utilisation of resources	(i)	11,493	64,484
— Others		—	7
Government grants	(ii)	74,115	54,750
Interest income		17,363	4,214
Foreign exchange differences, net		(39,303)	3,968
Profit/(loss) on disposal of property, plant and equipment		258	(1)
Changes in fair value of contingent considerations liabilities		—	(1,459)
Others		(226)	616
		63,700	126,579

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

5 OTHER INCOME AND GAIN, NET (continued)

Notes:

- (i) The Group is entitled to government grants for refunds of 30% for the six months ended 30 June 2022 (2021: 30%) of the net VAT paid/payable. The Ministry of Finance and the State Administration of Taxation jointly issued a notice concerning the "Catalogue on Products and Labour Services relating to Comprehensive Utilisation of Resources Eligible for Concessions of Value-added Tax" (Cai Shui 2015 (No. 78)) (the "New VAT Policy") on 12 June 2015, which replaced, amongst others, Cai Shui 2011 No. 115 (the "Former VAT Policy"). Under the Former VAT Policy, certain subsidiaries of the Group are entitled to government grants for refunds of 50% of the net VAT paid/payable. The New VAT Policy took effect on 1 July 2015. According to the New VAT Policy, the applicable VAT refund for such subsidiaries has been reduced from 50% to 30%.
- (ii) The amounts represent local government grants received by operating subsidiaries of the Group in the PRC for the purpose of providing immediate financial support to those subsidiaries for general operating use with no future related costs. No specific conditions are required to meet in connection with these grants.

6 LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Cost of sales (Note)	1,159,825	3,319,898
Staff costs	21,287	23,685
Depreciation of property, plant and equipment	22,576	23,195
Depreciation of right-of-use assets	3,405	3,742
Write-down/(reversal of write-down) of inventories	1,246	(86)

Note: Cost of sales includes RMB15,648,000 (30 June 2021: RMB16,968,000) relating to staff cost, depreciation and amortisation, which amount is also included in the respective total amounts.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current tax — PRC corporate income tax		
Provision for the period	2,969	20,914
Deferred tax	2,969 —	20,914 (1,983)
	2,969	18,931

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the current and prior periods.
- (iii) The Company's PRC subsidiaries are subject to PRC corporate income tax applicable for each subsidiary.

8 LOSS PER SHARE

(a) BASIC

The calculation of basic loss per share is based on the loss attributable to the equity shareholders of the Company of RMB523,585,000 (loss for the six months ended 30 June 2021: RMB72,063,000) and the weighted average number of 4,194,689,922 ordinary shares (six months ended 30 June 2021: 3,024,279,360 shares) issued during the interim period.

(b) DILUTED

Because the Group was loss-making for the six months ended 30 June 2022, share options had no dilutive impact.

9 PROPERTY, PLANT AND EQUIPMENT

(a) ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2022, the Group's additions to property, plant and equipment amounted to RMB51,000 (six months ended 30 June 2021: RMB450,000). No material disposal of property, plant and equipment was made during the six months ended 30 June 2022 and 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) All of the Group's property, plant and equipment are located in the PRC. As at 30 June 2022, property, plant and equipment with the net book value of RMB264,316,000 (31 December 2021: RMB284,174,000) were pledged for certain banking facilities granted to the Group (see note 13(b)).

10 INVENTORIES

As at 30 June 2022, inventories of RMB136,840,000 (31 December 2021: RMB136,840,000) were pledged for banking facilities granted to the Group (see note 13(b)).

11 TRADE AND BILLS RECEIVABLES, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivables, based on invoice date and net of allowance for impairment loss is as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 30 days	564,168	933,228
31 to 60 days	55,506	275,274
61 to 180 days	184,375	303,706
Over 180 days	664,778	799,257
Trade and bills receivables, net of allowance for doubtful debts	1,468,827	2,311,465
Advance payments to suppliers	2,201,949	2,202,004
Government grants receivable	210,016	221,323
Other deposits, prepayments and receivables	253,428	224,745
Total prepayments, other receivables and other assets	2,665,393	2,648,072
Less: non-current portion	19,398	19,756
Current portion	2,645,995	2,628,316

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

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND BILL PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 30 days	1,371,552	951,211
31 to 60 days	364	39,395
61 to 180 days	26,886	312,551
Over 180 days	439,921	40,528
Trade and bills payables	1,838,723	1,343,685
Contract liabilities	265,149	304,981
Accrued expenses and other payables	1,273,512	1,300,890
Other payables and accruals	1,538,661	1,605,871

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

13 INTEREST-BEARING BANK AND OTHER BORROWINGS

- (a) As at 30 June 2022, the analysis of interest-bearing bank and other borrowings is as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Bank loans — secured	254,586	241,710
Other borrowings — secured	108,160	108,160
Other borrowings — unsecured and unguaranteed	12,568	22,568
Factoring loan-secured	507,000	507,000
Entrusted loans — secured (Note)	306,116	306,116
	1,188,430	1,185,554
Represented by:		
Within 1 year or on demand	1,188,430	1,185,554
	1,188,430	1,185,554

Note:

As at 30 June 2022, entrusted loans are repayable within one year or on demand, and were interest-bearing at 4.2% to 10% (2021: 4.2%–10%) per annum.

The Group has defaulted in its repayment of entrusted loans which matured in August and September 2016 (“the loans payable”). The loans payable of RMB299,116,000 were secured by 310,317,000 ordinary shares (2021: 310,317,000 ordinary shares) in the Company held by Mr. Huang Weiping, key management personnel of the Group, representing 6.9% (31 December 2021: 9.4%) of the issued share capital of the Company as at 30 June 2022. At 30 June 2022, the negotiation to settle the outstanding entrusted loans of RMB299,116,000 (2021: RMB299,116,000) was still ongoing. The abovementioned defaulted loans were recorded in current liabilities as at 30 June 2022.

(Expressed in Renminbi unless otherwise indicated)

13 INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Property, plant and equipment (note 9(b))	264,316	284,174
Right-of-use assets	87,215	88,526
Inventories (note 10)	136,840	136,840
Trade receivables	641,947	641,947
Pledged deposits	1,054,843	873,359
	2,185,161	2,024,846

As at 30 June 2022, the Group had defaulted on the repayment of entrusted loans and interest-bearing bank and other borrowings amounted to approximately RMB299,116,000 (2021: RMB299,116,000) and RMB691,254,000 (2021: RMB475,938,000) respectively. The above defaults may trigger cross default of certain other borrowings amounting to RMB105,000,000 (2021: RMB410,500,000) as at 30 June 2022. The balance of RMB105,000,000 (2021: RMB410,500,000) was therefore classified as current liabilities.

(Expressed in Renminbi unless otherwise indicated)

13 INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

- (c) Certain of the Group's interest-bearing bank and other borrowings are secured by:
- (i) The pledge of 310,317,000 ordinary shares (31 December 2021: 310,317,000 ordinary shares) in the Company held by Mr. Huang Weiping, key management personnel of the Group, representing 6.9% (31 December 2021: 9.0%) of the issued share capital of the Company as at 30 June 2022.
 - (ii) At 30 June 2022, bank loans of RMB12,000,000 (31 December 2021: RMB12,000,000) were secured by property, plant and equipment of Sichuan Gushan Vegetable Fat Chemistry Co., Ltd ("Gushan Vegetable"), a private company controlled by Mr. Yu Jianqiu.
 - (iii) At 30 June 2022, bank loans of RMB41,000,000 (2021: RMB41,000,000) were secured by property, plant and equipment of Mianyang Baohe Jiahao Waste Material Recycling Co., Ltd. ("Baohe Jiahao"). An associate of the Group has 20% in Baohe Jiahao.
 - (iv) At 30 June 2022, bank loans of RMB5,000,000 (2021: RMB5,000,000) were secured by property, plant and equipment of Shanghai Mengjun Investment Management Co. ("Shanghai Mengjun"), a private company controlled by a daughter of Mr. Yu Jianqiu.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS

(a) DIVIDENDS

No interim dividend (six months ended 30 June 2021: Nil) was declared during the six months ended 30 June 2022.

No dividend payable to equity shareholders attributable to the previous financial year (six months ended 30 June 2021: Nil) was approved or paid during the period.

(b) SHARE CAPITAL

Authorised and issued share capital

	Par value HK\$	No. of shares	Nominal value of ordinary shares HK\$'000
Authorised:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	0.10	100,000,000,000	10,000,000
		No. of shares	HK\$'000
			RMB'000
Issued and fully paid:			
At 31 December 2021 and 1 January 2021	3,456,020,067	345,602	280,461
Issuance of ordinary shares pursuant to settlement of convertible bonds	1,025,537,194	102,554	83,150
At 30 June 2022	4,481,557,261	448,156	363,611

(Expressed in Renminbi unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) SHARE CAPITAL (continued)

- (A) On 31 December 2021, the Company and Huarong entered into the Huarong Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and Huarong has conditionally agreed to subscribe for 500,000,000 Shares at a subscription price of HK\$0.465 per subscription share (the "Huarong Subscription").

Upon the completion of the Huarong Subscription, the Company and Huarong entered into a deed of set-off, pursuant to which the Huarong subscription consideration in the sum of HK\$232,500,000 payable by Huarong to the Company shall be set off against the equivalent amount of the outstanding principal amount and accrued interests under the Huarong CBs on a dollar-for-dollar basis.

On 24 February 2022, 500,000,000 ordinary shares were allotted and issued at HK\$0.465 each to Huarong pursuant to the specific mandate granted by shareholders in the extraordinary general meeting of the Company held on 22 February 2022. The aggregate subscription price for all 500,000,000 subscription shares approximately amounted to HK\$232,500,000 (approximately equivalent to RMB188,508,000) was settled by Huarong at completion by way of set off against the convertible bonds in the principal with the accrued interest in total amount of RMB188,509,000 owed by the Group to Huarong. Accordingly, there will be no proceeds from the subscription. RMB40,540,000 and RMB147,969,000 had been transferred from convertible bonds to share capital and share premium respectively;

And;

(Expressed in Renminbi unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) SHARE CAPITAL (continued)

- (B) On 31 December 2021, the Company and Prosper Rich entered into the Prosper Rich Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and Prosper Rich has conditionally agreed to subscribe for 525,537,194 shares at a subscription price of HK\$0.465 per Subscription Share.

Upon the completion of the Prosper Rich Subscription, the Company and Prosper Rich entered into a deed of set-off, pursuant to which the Prosper Rich subscription consideration in the sum of HK\$244,375,000 payable by Prosper Rich to the Company shall be set off against the equivalent amount of the outstanding principal amount and accrued interests under the Prosper Rich CBs on a dollar-for-dollar basis.

On 24 February 2022, 525,537,194 ordinary shares were allotted and issued at HK\$0.465 each to Prosper Rich pursuant to the specific mandate granted by shareholders in the extraordinary general meeting of the Company held on 22 February 2022. The aggregate subscription price for all 525,537,194 subscription shares amounted to approximately HK\$244,375,000 was settled by Prosper Rich at completion by way of set off against the convertible bonds in the principal with the accrued interest in total amount of RMB198,137,000 owed by the Group to Prosper Rich. Accordingly, there will be no proceeds from the subscription. RMB42,610,000 and RMB155,527,000 had been transferred from convertible bonds to share capital and share premium respectively;

(Expressed in Renminbi unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) STATUTORY RESERVES

In accordance with the Wholly Foreign Owned Enterprise Law applicable to the subsidiaries in the PRC, the subsidiaries are required to make appropriations to the Statutory Reserve Fund (the "SRF"). At least 10% of the after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

(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 equity-settled share option expense to the financial statements.

The amount will either be transferred to the share premium account when the option is exercised, or be released directly to retained profits if the option is lapsed or forfeited.

(f) CONVERTIBLE BONDS EQUITY RESERVE

Convertible bonds equity reserve arises from the residual amount of the net proceeds of convertible bonds less the fair value of liability component and derivative 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 will be released to the retained earnings/accumulated losses.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

15 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 scheme, please refer to the Company's announcements on 2 July 2014, 7 May 2015, 23 July 2015, 31 May 2016, 12 December 2017 and 14 December 2021.

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 2022	Weighted-average exercise price for the six months ended 30 June 2022	Number of options for the six months ended 30 June 2021	Weighted-average exercise price for the six months ended 30 June 2021
	'000	HK\$	'000	HK\$
Outstanding at 1 January	164,808	0.68	126,835	2.09
Lapsed during the period/year	(8,675)	0.47	(5,491)	2.28
Outstanding at the end of the period/year	156,133	0.69	121,344	2.09
Exercisable at the end of the period/year	27,808	1.24	121,344	2.09

(Expressed in Renminbi unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	2,592,569	3,239,131
	2,592,569	3,239,131
Financial liabilities		
Consideration liability	130,742	121,383
Financial liabilities at amortised cost	3,730,956	3,482,337
	3,861,698	3,603,720

FAIR VALUES

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes borrowings and amounts due to related parties, and equity attributable to owners of the Company, which includes share capital and reserves.

The Group's management reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issuance of new shares as well as raising of borrowings, if necessary.

(Expressed in Renminbi unless otherwise indicated)

17 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(A) DISCLOSURE OF LEVEL IN FAIR VALUE HIERARCHY:

Description	30 June 2022 Level 3 RMB'000	31 December 2021 Level 3 RMB'000
Recurring fair value measurements:		
<i>Financial assets:</i>		
Derivative financial instrument	–	–
<i>Financial liabilities:</i>		
Contingent consideration liabilities	–	–

(Expressed in Renminbi unless otherwise indicated)

17 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENT (continued)

(B) RECONCILIATION OF ASSETS MEASURED AT FAIR VALUE BASED ON LEVEL 3:

Financial assets:

	Derivative financial instrument RMB'000
As at 31 January 2021	106,306
Total gains or losses recognised	
— in profit or loss ^(#)	(232)
Settled against the liability (Note)	(106,074)
As at 31 December 2021 and 30 June 2022	–

Note:

On 25 October 2017, a subsidiary of the Group, Fuqing Zhongjin, entered into an equity transfer agreement (the "Equity Transfer Agreement") with Sichuan Xijiulong Investment Co, Ltd. ("Xijiulong"), a company controlled by Ms. Yu Yanyan and Ms. Yu Jiajia, who are connected persons of the Company by virtue of them being the daughters of Mr. Yu Jianqiu, pursuant to which Fuqing Zhongjin agreed to purchase a 25% equity interest of JX E-commerce Trading Co., Ltd ("JX E-commerce") from Xijiulong for a cash consideration of RMB125,000,000. The acquisition of JX E-commerce was completed on 6 November 2017 (the "Acquisition Date").

Under the Equity Transfer Agreement for the acquisition of JX E-commerce, an associate of the Group, the Group was granted a right to resell the entire equity interests to Xijiulong at a consideration equivalent to the net investment cost paid by the Group for the acquisition, if JX E-commerce fails to complete a qualified initial public offering within 3 years from the acquisition date. As at 31 December 2020, the fair value of the right to resell was estimated by the Company as approximately RMB106,306,000 (2019: RMB107,451,000).

The transaction had been approved by the extraordinary general meeting held on 18 June 2021. The transaction had also completed on 18 June 2021.

^(#) Represent gains or losses for assets held at end of reporting period

(Expressed in Renminbi unless otherwise indicated)

17 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENT (continued)

(B) RECONCILIATION OF ASSETS MEASURED AT FAIR VALUE BASED ON LEVEL 3: (continued)

Financial liabilities:

	Contingent consideration liabilities
	RMB'000
As at 1 January 2021	123,474
Loss recognised in profit or loss	1,452
Reclassified to consideration liability	(121,383)
Exchange differences recognised in other comprehensive income	(3,543)
As at 31 December 2021 and 30 June 2022	–

(#) Represent gains or losses for liabilities held at end of reporting period

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other (expenses)/income, (loss)/gains in the consolidated statement of profit or loss and other comprehensive income.

(Expressed in Renminbi unless otherwise indicated)

17 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENT (continued)

Other than the calculation method of fair value of contingent consideration liabilities which is based on discounted cash flows forecasts prepared by the management, the fair values of the non-current portion of pledged deposits and non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance leases payable and interest-bearing bank and other borrowings as at 30 June 2022 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

18 COMMITMENTS

Capital commitments contracted but not provided for as at 30 June 2022 were as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Contracted for		
— property, plant and equipment	32,297	32,297
— land use rights	12,545	12,545
	44,842	44,842

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS

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

OTHER RELATED PARTIES TRANSACTIONS

		For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Notes			
	Delivery cost charged by Mianyang Jin Xunhuan Finance Storage Limited, a subsidiary of an associate	(i) 3,076	3,076
	Security provided by Gushan Vegetable, a private company controlled by Mr. Yu Jianqiu	(ii) 12,000	15,500
	Loan secured by the property, plant and equipment of Mianyang Baohe Jiahao, a private company controlled by an associate of the Group	41,000	52,500
	Loan secured by the property, plant and equipment by Shanghai Mengjun, a private company controlled by a daughter of Mr. Yu Jianqiu	5,000	5,000
	Loan provided by Mianyang Yuan Cheng Ronghe Development Group Co., Ltd, a substantial shareholder of the Group	10,000	-

(Expressed in Renminbi unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS (continued) OTHER RELATED PARTIES TRANSACTIONS (continued)

Notes:

- (i) The delivery cost is charged at a rate ranging from RMB28 to RMB390 per ton (2021: RMB28 to RMB390 per ton).
- (ii) At 30 June 2022, bank loans of RMB12,000,000 (2021: RMB15,500,000) were secured by property, plant and equipment of Gushan Vegetable.
- (iii) At 30 June 2022, bank loans of RMB41,000,000 (2021: RMB52,500,000) were secured by property, plant and equipment of Baohu Jiahao.
- (iv) At 30 June 2022, bank loans of RMB5,000,000 (2021: RMB5,000,000) were secured by property, plant and equipment of Shanghai Mengjun Investment Management Co. ("Shanghai Mengjun"), a private company controlled by a daughter of Mr. Yu Jianqiu.

20 COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

The total compensation of key management personnel amounted to RMB5,662,000 (2021: RMB3,155,000) during the period ended 30 June 2022.

21 EVENT AFTER THE REPORTING PERIOD

BANKRUPTCY REORGANISATION APPLICATION OF TWO PRC SUBSIDIARIES OF THE COMPANY

Reference is made to the announcement of the Company dated 6 June 2022 in relation to the Bankruptcy Reorganisation Application made by the Relevant Subsidiaries which was filed with the Court on 6 June 2022. On 3 August 2022, the Company received the Court's civil ruling dated 29 July 2022. According to the civil ruling, the Court has accepted the Bankruptcy Reorganisation Application. On 5 August 2022, the Company received the Court's decision dated 4 August 2022 regarding the designation of Sichuan Dingtian Law Firm* (四川鼎天律師事務所) and Sichuan Chunlei Law Firm* (四川春雷律師事務所) as the joint provisional administrators for the Debt Restructuring.

Except for the above, there is no significant event subsequent to 30 June 2022 which would materially affect the Group's operating and financial performance as at the date of this report.

* For identification purposes only



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



This Interim Report is printed on environmentally friendly paper
本中期報告以環保紙張印刷