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CHINA METAL RESOURCES UTILIZATION LIMITED
中國金屬資源利用有限公司

(a company incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1636)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- Turnover increased by 52.5% to RMB1,758.5 million, as compared to the same period last year
- Net profit margin increased by 0.2 percentage points to 6.9%, as compared to the same period last year
- Profit for the period increased by 57.5% to RMB122.2 million, as compared to the same period last year
- Earnings per share for the period increased by 20.0% to RMB0.06, as compared to the same period last year
- Current ratio of 2.0 as at 30 June 2014 as compared to 1.2 as at 31 December 2013
- Debt to equity ratio of 39.9% as at 30 June 2014 as compared to 97.8% as at 31 December 2013
- The Board declared an interim dividend of HK3.0 cents per share

RESULTS

The board (the "Board") of directors (the "Directors") of China Metal Resources Utilization Limited (the "Company") is pleased to present the consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013, as follows:

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED BALANCE SHEET

At 30 June 2014
(Expressed in Renminbi)

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

	Note	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Non-current liabilities			
Bank loans and other borrowings		**30,000**	120,000
Obligations under finance leases		**45,070**	48,000
Deferred government grants		**31,048**	31,048
Deferred tax liabilities		**1,663**	1,729
		107,781	200,777
NET ASSETS		**1,175,897**	612,805
CAPITAL AND RESERVES			
Share capital	*13*	**166,075**	907
Reserves		**1,009,822**	611,898
TOTAL EQUITY		**1,175,897**	612,805

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION AND BASIS OF PREPARATION

(A) General Information

China Metal Resources Utilization Limited ("the Company") was incorporated in the Cayman Islands on 22 February 2013. The Company and its subsidiaries (together referred to as "the Group") are principally engaged in the manufacturing and sales of copper and related products and the provision of contract manufacturing in the PRC. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 21 February 2014.

(B) Basis of Preparation

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2014 but are extracted from that interim report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB").

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

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants.

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

3 TURNOVER

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

4 SEGMENT REPORTING

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

(i) Recycled copper products segment: use of scrap copper and electrolytic copper for the manufacturing of recycled copper products;

(ii) Power transmission and distribution cables segment: sales of power transmission and distribution cables; and

(iii) Communication cables segment: manufacturing and sales of communication cables.

(A) Segment Results

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

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

The measure used for reporting segment profit is "profit after taxation". To arrive at reportable segment profit, the Group's profit is further adjusted for items not specially attributed to individual segments, such as head office or corporate administrative costs.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

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

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

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

(B) Reconciliations of Reportable Segment Revenue and Profit or Loss

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

5 OTHER REVENUE

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

Notes:

(i) The Group is entitled to government grants for value added tax ("VAT") refunds under the Policies for Products Generated from Comprehensive Utilisation of Resources (Cai Shui [2011] No. 115) jointly issued by the PRC State Administration of Taxation and the Ministry of Finance.

(ii) The Group is entitled to government grants for VAT refunds in connection with the employment of disabled people under Cai Shui [2007] No. 67 issued by the PRC State Administration of Taxation.

(iii) The amounts represent local government grants received by operating subsidiaries of the Group for the purpose of providing immediate financial support to the subsidiaries for general operating use with no future related cost. No specific conditions are required to meet in connection with the grants.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

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

7 INCOME TAX

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

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the current and prior periods.

(iii) The Company's PRC subsidiaries are subject to PRC Corporate Income Tax at the statutory rate of 25%. In 2013, the Company's subsidiaries, Mianyang Jinxin Copper Co., Ltd. ("Jinxin") and Mianyang Tongxin Copper Co., Ltd. ("Tongxin") applied for preferential income tax treatment under the Notice on Taxation Policy Issues concerning the In-depth Implementation of the Western Development Strategy (Cai Shui [2011] No. 58) ("Western Development Strategy"). In May 2013, each of the Company's subsidiaries, Jinxin and Tongxin obtained the approval from local tax authority and became entitled to a preferential income tax rate of 15% from 1 January 2012 to 31 December 2020. Tax credits of RMB8,030,000 related to the preferential tax treatment for 2012 were recognised in profit or loss for the six months ended 30 June 2013.

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

8 EARNINGS PER SHARE

(A) Basic

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

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

(B) Diluted

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

9 PROPERTY, PLANT AND EQUIPMENT

(A) Acquisitions and Disposals

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

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

10 INVENTORIES

Inventories in the consolidated balance sheet comprise:

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

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

11 TRADE AND OTHER RECEIVABLES

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

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

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

12 TRADE AND OTHER PAYABLES

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

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

13 SHARE CAPITAL

	Par value *HK$*	*No. of shares*	**Nominal value of ordinary shares** *HK$'000*
Issued and fully paid:			
At 22 February 2013 (date of incorporation)	0.10	1	–
Issue of shares upon the Corporate Reorganisation	0.10	10,224,999	1,022
Issue of shares under share option scheme	0.10	1,013,000	101
At 31 December 2013 and 1 January 2014		11,238,000	1,123
		(equivalent to RMB907,000)	
Capitalisation issue *(Note (i))*	0.10	1,562,082,000	156,208
Issue of new shares under the initial public offering *(Note (ii))*	0.10	525,001,600	52,500
Issue of new shares upon exercise of the over-allotment option *(Note (ii))*	0.10	6,824,000	683
At 30 June 2014		2,105,145,600	210,514
		(equivalent to RMB166,075,000)	

(i) On 21 February 2014, the Company capitalised an amount of HK$156,208,000 (approximately RMB123,215,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 1,562,082,000 shares, each of which to be allotted and issued to the shareholders of the Company appearing on the register of members of the Company on 28 January 2014 in proportion to their respective shareholding.

(ii) On 21 February 2014, the shares of the Company became listed on the Main Board of the Stock Exchange, pursuant to which 525,001,600 ordinary shares of HK$0.1 each were issued at a price of HK$1.13 per share by the Company. The total gross proceeds from the issue of these shares amounted to HK$593,252,000 (approximately RMB467,954,000). Proceeds of HK$52,500,000 (approximately RMB41,414,000), representing the par value of the shares issued, were credited to the Company's share capital. The remaining proceeds of HK$495,895,000 (approximately RMB391,063,000 after deducting the listing expenses of RMB35,477,000), were credited to the share premium account.

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

14 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

(i) On 2 July 2014, the Company granted 113,000,000 share options to three executive directors of the Company and certain employees of the Group subject to acceptance of the grantees under the share option scheme adopted by the Company on 28 January 2014. The grantees are entitled, subject to the terms and conditions of the grant and upon exercise, to subscribe for an aggregate of 113,000,000 shares of the Company with nominal value of HK$0.10 per share at an exercise price of HK$1.13 per share, representing approximately 5.37% of the total 2,105,145,600 shares in issue on 2 July 2014. The share options granted have a vesting period of 3 years, i.e. one-third of the share options shall be vested on the 1st anniversary; one-third of the share options shall be vested on the 2nd anniversary; and the remaining share options shall be vested on the 3rd anniversary of the date of grant respectively.

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

FUTURE PROSPECTS/OUTLOOK

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

FINANCIAL REVIEW

Turnover

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

The following table sets forth the analysis of our turnover:

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

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

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

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

Capital Structure

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

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

	As at 30 June 2014		As at 31 December 2013	
	Effective interest rate	**Amount**	Effective interest rate	Amount
	%	***RMB'000***	%	*RMB'000*
Fixed rate borrowings:				
Bank loans and other borrowings	**9.81**	**410,100**	9.87	424,374
Loans from related parties	**–**	**–**	6.54	84,948
Obligations under finance leases	**7.08**	**58,810**	6.66	60,000
Total fixed rate borrowings		**468,910**		569,322

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

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

Liquidity and Financial Resources

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

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

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

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

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

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

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

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

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

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

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

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

Charge on Assets

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

	As at 30 June 2014	As at 31 December 2013
	RMB'000	*RMB'000*
Property, plant and equipment	**179,091**	127,688
Lease prepayments	**34,004**	35,071
Inventories	**75,649**	78,612
Government grants receivable	**–**	12,766
Deposits with guarantee companies	**11,900**	2,500
Deposits with banks	**16,584**	26,711
Deposit with lessor of finance leases	**5,320**	4,800
Deposits with securities broker	**7,236**	–
	329,784	288,148

Commodity Risk

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

Foreign Currency Risk

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

Significant Investments Held

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Capital Expenditures

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

Contingent Liabilities

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

HUMAN RESOURCES

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

OTHER INFORMATION

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

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

REVIEW OF INTERIM RESULTS

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

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company from the Listing Date up to 30 June 2014.

CORPORATE GOVERNANCE

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

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

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

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

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

PUBLICATIONS OF RESULTS ANNOUNCEMENT

This results announcement is published on the websites of the Company (www.cmru.com.cn) and the Stock Exchange (www.hkex.com.hk). An interim report for the six months ended 30 June 2014 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

ACKNOWLEDGEMENT

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

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

Hong Kong, 18 August 2014

As at the date of this announcement, the Board comprises five executive directors, namely, Mr. YU Jianqiu (Chairman), Mr. KWONG Wai Sun Wilson, Mr. LIU Hanjiu, Mr. HUANG Weiping and Ms. ZHU Yufen; and three independent non-executive directors, namely, Mr. LEE Ting Bun Denny, Mr. PAN Liansheng and Ms. LIU Rong.