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CHINA METAL RESOURCES UTILIZATION LIMITED

中國金屬資源利用有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1636)

**(1) ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023;
(2) CONTINUED SUSPENSION OF TRADING**

The Board of Directors (the “Board”) of China Metal Resources Utilization Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2023, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	141,496	1,119,215
Cost of sales		<u>(159,773)</u>	<u>(1,159,825)</u>
Gross loss		(18,277)	(40,610)
Other income/(expenses), gain/(loss), net	5	10,058	63,700
Selling and distribution expenses		(2,872)	(4,608)
Administrative expenses		(51,600)	(56,817)
Provision for doubtful debts, net		(89,390)	(356,359)
Impairment of advance payments to suppliers		(208,106)	–
Finance costs		(136,030)	(125,834)
Share of losses of associates		<u>(157)</u>	<u>(89)</u>
LOSS BEFORE TAX	6	(496,374)	(520,617)
Income tax expense	7	<u>–</u>	<u>(2,969)</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(496,374)</u>	<u>(523,586)</u>
OTHER COMPREHENSIVE LOSS			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(2,553)</u>	<u>23,895</u>
Other comprehensive loss for the period, net of tax		<u>(2,553)</u>	<u>23,895</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(498,927)</u>	<u>(499,691)</u>
Loss per share	8		
— Basic (RMB per share)		<u>(0.11)</u>	<u>(0.12)</u>
— Diluted (RMB per share)		<u>(0.11)</u>	<u>(0.12)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment		427,320	448,216
Right-of-use assets		102,962	104,495
Investments in associates		46,949	47,106
Prepayments, other receivables and other assets	10	25,851	19,756
		603,082	619,573
Total non-current assets			
 Current assets			
Inventories	9	142,401	100,946
Trade and bills receivables	10	185,855	236,494
Prepayments, other receivables and other assets	10	511,776	709,450
Amounts due from associates		27,517	25,110
Amounts due from related parties		799	179
Pledged deposits		501,969	703,928
Cash and cash equivalents		12,287	2,391
		1,382,604	1,778,498
Total current assets			
 Current liabilities			
Trade and bills payables	11	1,488,581	1,613,636
Other payables and accruals	11	1,939,580	1,734,252
Note payables		24,362	23,511
Interest-bearing bank and other borrowings		1,574,548	1,338,370
Convertible bonds		–	231,720
Lease liabilities		1,890	1,858
Amounts due to a director		207	207
Amounts due to associates		208	213
Amount due to a related party		61,775	61,872
Tax payable		92,062	91,586
		5,183,213	5,097,225
Total current liabilities			
Net current liabilities		(3,800,609)	(3,318,727)
Total assets less current liabilities		(3,197,527)	(2,699,154)

		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current liabilities			
Lease liabilities		98	372
Deferred government grants		958	1,322
Deferred tax liabilities		1,152	1,152
		<u> </u>	<u> </u>
Total non-current liabilities		2,208	2,846
		<u> </u>	<u> </u>
Net liabilities		(3,199,735)	(2,702,000)
		<u> </u>	<u> </u>
EQUITY			
Share capital	12	363,611	363,611
Reserves		(3,563,346)	(3,065,611)
		<u> </u>	<u> </u>
Total equity		(3,199,735)	(2,702,000)
		<u> </u>	<u> </u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 2 October 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains unaudited 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 2022 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 2022 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 2022 are available from the Group’s registered office.

(c) Going Concern Basis

The Group recorded a net loss of approximately RMB496,374,000 and RMB523,586,000 respectively for two consecutive periods ended 30 June 2023 and 2022. As at 30 June 2023, the Group had net current liabilities of approximately RMB3,800,609,000 and net liabilities of approximately RMB3,199,735,000. By the end of the reporting period, the Group had cash and cash equivalents of approximately RMB12,287,000, while debts repayable within one year or on demand (including interest-bearing bank and other borrowings and note payables) were approximately RMB1,598,910,000. In addition, as at 30 June 2023, the Group had defaulted the repayment of interest-bearing bank and other borrowings and note payables of approximately RMB1,574,548,000 and RMB24,362,000 respectively. In addition, as at 30 June 2023, the Group was also involved in various litigations resulting in the freezing of several bank accounts and the seizure of property, plant and equipment, right-of-use assets and inventories. All these conditions indicated the existence of material uncertainties which may cast significant doubt as to the Group's ability to continue as a going concern.

In light of the above, the Directors of the Company have implemented, or in the process of implementing various financial plans and measures to mitigate the liquidity pressure and to improve its financial position. These measures included but not limited to the followings:

- (i) The Group is in the process of restructuring the debt. 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”), an indirect wholly-owned subsidiary of the Company, were both undergoing a restructuring with the existing debt holders in accordance with the applicable provisions of the Enterprise Bankruptcy Law in the People's Republic of China (the “PRC”). The restructuring involved the filing of a voluntary application for bankruptcy reorganisation with the People's Court of Youxian District (the “Youxian Court”) in the Mianyang City, Sichuan Province, the PRC. On 3 January 2023, the Company received from the Youxian Court concerning the Youxian Court's civil rulings, court decisions and notice to the Relevant Subsidiaries (collectively known as “Youxian Court Documents”) regarding the reorganisation. Pursuant to which, the Youxian Court Documents indicated that the Youxian Court accepted the application from the Tongxin and Jin Xunhuan for bankruptcy reorganisation in accordance with the Enterprise Bankruptcy Law in the PRC. The first creditors' meeting was held on 28 March 2023.

In addition to the bankruptcy reorganisations of Tongxin and Jin Xunhuan, Mianyang Baohe Taiyue Communications Cable Co. Ltd. (綿陽保和泰越通信線纜有限公司) (“Taiyue”), an indirect wholly-owned subsidiary of the Company, is undergoing restructuring its existing indebtedness with existing debt holders through the applicable provisions of the Enterprise Bankruptcy Law of the PRC. A voluntary application for the aforementioned bankruptcy reorganization of Taiyue (the “Taiyue Bankruptcy Reorganisation Application”) has been filed with the Youxian Court on 18 May 2023. On 24 May 2023, Taiyue received the Youxian Court's civil ruling dated 23 May 2023. According to the civil ruling dated 23 May 2023, the Youxian Court has accepted the Taiyue Bankruptcy Reorganisation Application.

Hunan Yinlian Xiangbei Copper Co., Ltd. (湖南銀聯湘北銅業有限公司) (“Yinlian Xiangbei”), an indirect wholly-owned subsidiary of the Company, received a civil ruling (the “Civil Ruling”) from the People’s Court of Miluo City, Hunan Province (the “Court of Miluo City”) in relation to a petition for winding-up against Yinlian Xiangbei filed by Hunan Miziyuan Asset Holdings Co., Ltd. (湖南汨之源實業集團有限公司) (“Miziyuan”), a creditor of Yinlian Xiangbei, on the ground that Yinlian Xiangbei was unable to repay the debts falling due. The debts involved were in the amount of approximately RMB11.9 million. Yinlian Xiangbei opposed the petition and applied to the Court of Miluo City for bankruptcy reorganization instead. According to the Civil Ruling, after taking into account the situation of Yinlian Xiangbei and the bankruptcy reorganisation of the Company’s other three subsidiaries in Mianyang City, Sichuan Province, the Court of Miluo City rejected Miziyuan’s petition for winding-up and accepted Yinlian Xiangbei’s bankruptcy reorganisation application on 21 July 2023. The first creditor’s meeting was held on 5 January 2024.

Hubei Rongsheng Copper Co., Ltd* (湖北融晟金屬製品有限公司) (“Hubei Rongsheng”), an indirect wholly-owned subsidiary of the Company, received a decision dated 12 September 2023 and notice to Hubei Rongsheng dated 12 September 2023 from the People’s Court of Yunmeng County, Hubei Province in relation to Hubei Rongsheng’s application for pre-restructuring in accordance with the pre-restructuring procedure under the applicable provisions of the Enterprise Bankruptcy Law of the People’s Republic of China to prepare for its intended bankruptcy reorganisation application on 12 September 2023.

Tongxin, Jin Xunhuan, Taiyue, Yinlian Xiangbei and Hubei Rongsheng are collectively known as the “Relevant Subsidiaries”;

- (ii) The Company has been negotiating with Huarong for further extension of the Huarong CBs (Huarong CBs has been reclassified as other borrowings upon maturity), which were matured and fall due on 31 December 2022 and with creditors, banks, financial institutions and note holders for alternative refinancing and/or extension of the due dates;
- (iii) The Group has been liaising with banks and financial institutions from which cross default clauses as stipulated in the relevant loan agreements were breached by the Group;
- (iv) The Group has been actively seeking other financing arrangements with a view to obtain new funding, including but not limited to convertible bonds with amount of RMB400 million from investors, subject to certain conditions;
- (v) The Group has been endeavouring to improve the Group’s operating performance and cash flows through cost control measures and working capital management to maintain sufficient liquidity; and
- (vi) The Group has been in the process of resolving the Group’s litigation to release the freezing orders on bank accounts and seizure orders on property, plant and equipment, right-of-use assets and inventories.

The Directors of the Company are of the opinion that future cash flow generated from operation together with the financial plans and measures will be sufficient to repay all these liabilities. The directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Although the Directors of the Company have formulated a number of plans and taken a number of measures, there are still significant uncertainties as to whether the Group will be able to implement its plans and measures. The Group's ability to continue as a going concern is dependent on the following matters:

- (i) Successful completion of the restructuring by Relevant Subsidiaries;
- (ii) Successful negotiation with an offshore lender on debt extension;
- (iii) The Group's ability to seek cooperation with banks and financial institutions for which cross default clauses were breached;
- (iv) The Group's ability to scale down its operation while maintaining positive ongoing business relationship with the Group's suppliers;
- (v) The Group's ability to successfully obtain new source of funding; and
- (vi) The Group's ability to successfully resolve the pending litigations of the Group and releasing freeze of bank accounts and seizure of property, plant and equipment, right-of-use assets and inventories.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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 2022, 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.

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.

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 2023			
	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	140,233	1,067	196	141,496
Intersegment sales	1,699	-	-	1,699
	<u>141,932</u>	<u>1,067</u>	<u>196</u>	<u>143,195</u>
<i>Reconciliation:</i>				
Elimination of intersegments sales				<u>(1,699)</u>
Revenue				<u><u>141,496</u></u>
Segment results	(322,793)	(8,541)	(698)	(332,032)
Interest income	4	-	-	4
Corporate and other unallocated expenses				(34,143)
Finance costs	(128,632)	(1,398)	(16)	(130,046)
Share of losses of associates				<u>(157)</u>
Loss before tax				<u><u>(496,374)</u></u>
Other segment information				
VAT refunds, government grants and subsidies	3,016	-	-	3,016
Impairment of advance payments to suppliers	(208,106)	-	-	(208,106)
Provision for doubtful debts, net	<u>(89,390)</u>	<u>-</u>	<u>-</u>	<u>(89,390)</u>

	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
	<u>1,110,518</u>	<u>3,743</u>	<u>9,156</u>	<u>1,123,417</u>
<i>Reconciliation:</i>				
Elimination of intersegments sales				<u>(4,202)</u>
Revenue				<u>1,119,215</u>
Segment results	(354,988)	(22,809)	(4,190)	(381,987)
Interest income	17,363	–	–	17,363
Corporate and other unallocated expenses				(45,913)
Finance costs	(103,667)	(2,696)	(3,628)	(109,991)
Share of losses of associates				<u>(89)</u>
Loss before tax				<u>(520,617)</u>
Other segment information				
VAT refunds, government grants and subsidies	85,563	1	44	85,608
(Provision)/reversal of provision for doubtful debts, net	<u>(370,504)</u>	<u>14,215</u>	<u>(70)</u>	<u>(356,359)</u>

(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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Recycled copper product segment		
Customer A	N/A*	153,897
Customer B	N/A*	148,842
Customer C	N/A*	120,564

* Customer A, B and C had less than 10% of the Group's revenue for the six months ended 30 June 2023.

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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Sales of recycled copper products	124,221	1,107,971
Sales of power transmission and distribution cables	1,067	49
Sales of communication cables	196	8,648
Sales of scrap materials	13,710	1,675
Others	2,302	872
	<u>141,496</u>	<u>1,119,215</u>

Disaggregated Revenue Information

	For the six months ended 30 June 2023			
	Recycled copper products (Unaudited) RMB'000	Power transmission and distribution cables (Unaudited) RMB'000	Communication cables (Unaudited) RMB'000	Total (Unaudited) RMB'000
Sales of recycled copper products	124,221	-	-	124,221
Sales of power transmission and distribution cables	-	1,067	-	1,067
Sales of communication cables	-	-	196	196
Sales of scrap materials	13,710	-	-	13,710
Others	2,302	-	-	2,302
				<u>141,496</u>

	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 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
				1,119,215

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/(EXPENSES), GAIN/(LOSS), NET

		For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
VAT refunds — Comprehensive utilisation of resources	(i)	2,552	11,493
Government grants	(ii)	464	74,115
Interest income		4	17,363
Foreign exchange differences, net		6,831	(39,303)
Profit on disposal of property, plant and equipment		–	258
Others		207	(226)
		10,058	63,700

Notes:

- (i) The Group is entitled to government grants for refunds of 30% for the six months ended 30 June 2023 (2022: 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:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Cost of sales (<i>Note</i>)	159,773	1,159,825
Staff costs	13,779	21,287
Depreciation of property, plant and equipment	18,897	22,576
Depreciation of right-of-use assets	3,227	3,405
Write-down of inventories	–	1,246
	=====	=====

Note: Cost of sales includes RMB9,419,000 (30 June 2022: RMB15,648,000) relating to staff cost, depreciation and amortisation, which amount is also included in the respective total amounts.

7. INCOME TAX

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current tax — PRC corporate income tax	–	2,969
Deferred tax	–	–
	=====	=====
	–	2,969

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 RMB496,374,000 (loss for the six months ended 30 June 2022: RMB523,585,000) and the weighted average number of 4,481,557,261 ordinary shares (six months ended 30 June 2022: 4,194,689,922 ordinary shares) issued during the interim period.

(b) Diluted

As there was no dilutive potential ordinary shares for the Company's outstanding share options and the Group's outstanding convertible bonds for the period ended 30 June 2022 would be anti-dilutive, the diluted loss per share for the periods ended 30 June 2023 and 2022 were the same as basic loss per share.

9. INVENTORIES

As at 30 June 2023, inventories of RMB35,817,000 (31 December 2022: RMB27,078,000) were pledged for banking facilities granted to the Group.

10. 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 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 30 days	17,423	8,487
31 to 60 days	4,300	937
61 to 180 days	484	94,885
Over 180 days	<u>163,648</u>	<u>132,185</u>
Trade and bills receivables, net of allowance for doubtful debts	<u>185,855</u>	<u>236,494</u>
Advance payments to suppliers	77,773	291,869
Government grants receivable	211,698	217,797
Other deposits, prepayments and receivables	<u>248,156</u>	<u>219,540</u>
Total prepayments, other receivables and other assets	537,627	729,206
Less: non-current portion	<u>(25,851)</u>	<u>(19,756)</u>
Current portion	<u>511,776</u>	<u>709,450</u>

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

11. 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 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 30 days	56,004	733,884
31 to 60 days	112,536	126,848
61 to 180 days	494,051	208,481
Over 180 days	825,990	544,423
Trade and bills payables	<u>1,488,581</u>	<u>1,613,636</u>
Contract liabilities	238,562	238,278
Accrued expenses and other payables	<u>1,701,018</u>	<u>1,495,974</u>
Other payables and accruals	<u>1,939,580</u>	<u>1,734,252</u>

12. CAPITAL AND DIVIDENDS

(a) Dividends

No interim dividend (six months ended 30 June 2022: Nil) was declared during the six months ended 30 June 2023.

No dividend payable to equity shareholders attributable to the previous financial year (six months ended 30 June 2022: 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 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>0.10</u>	<u>100,000,000,000</u>	<u>10,000,000</u>
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>RMB'000</i>
Issued and fully paid:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>4,481,557,261</u>	<u>448,156</u>	<u>363,611</u>

13. 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:

	Number of options for the six months ended 30 June 2023 000	Weighted average exercise price for the six months ended 30 June 2023 HK\$	Number of options for the six months ended 30 June 2022 000	Weighted average exercise price for the six months ended 30 June 2022 HK\$
In thousands of options				
Outstanding at 1 January	149,483	0.68	164,808	0.68
Lapsed during the period	(4,075)	(0.47)	(8,675)	(0.47)
Outstanding at the end of the period	<u>145,408</u>	<u>0.71</u>	<u>156,133</u>	<u>0.69</u>
Exercisable at the end of the period	<u>67,008</u>	<u>0.99</u>	<u>27,808</u>	<u>1.24</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Throughout the six months ended 30 June 2023, the copper market in China experienced significant challenges, resulting in a net loss of approximately RMB496.4 million for the Group. This loss was primarily driven by a staggering 87.4% drop in revenue in this period compared to the corresponding period of 2022 due to the Group's manufacturing facilities has been suspended certain months and resumed operations on 1 June 2023.

Furthermore, the ongoing effects of Coronavirus disease 2019 ("COVID-19") continued to weigh heavily on various industries, particularly the real estate and engineering infrastructure sectors, which have yet to achieve a full recovery. Furthermore, the severe financial difficulties faced by major property developers adversely impacted the demand for our products. As a result, demand from downstream customers remained weak, contributing to a decline in sales. These challenges also led to higher finance costs and increased provisions for doubtful debts, reflecting the liquidity constraints experienced by our customers. Loss per share was RMB0.11 (2022: RMB0.12).

In order to weather this situation and safeguard our businesses and assets, we have taken the initiative to apply for bankruptcy reorganization for some of our operating subsidiaries. These applications have been approved by the relevant courts. The effect of the bankruptcy reorganizations would be that the debts of the operating subsidiaries are restructured as well as reduced so that the intrinsic value and business potential of the quality assets held by the subsidiaries can be released, allowing the subsidiaries to fully utilize such assets to increase their revenue generation ability.

Moving forward, our primary focus is to successfully complete the bankruptcy reorganizations of our subsidiaries in a timely manner. While we anticipate that our short-term operational and financial results may suffer during this process, we remain optimistic about our long-term business outlook.

Additionally, the Group's manufacturing facilities has been suspended certain months and resumed operations on 1 June 2023. For the one-year period ended 31 May 2024, the Group has produced 21,282 tons of recycled copper products, sold 21,058 tons of recycled copper products, achieved sales revenue of recycled copper products of RMB1,450 million (the above-mentioned sales data is unaudited). During the same period, both communication cables business and power transmission and distribution business of the Group have not yet resumed their businesses due to lack of working capital and poor market conditions in the real estate sector where most of the products are being sold into. As the real estate market begins to stabilise, the Company expects to resume these two downstream businesses once the Group has obtained sufficient working capital.

PROSPECTS

In 2023, China's economic recovery was not as robust as anticipated, primarily due to a significant slowdown in the real estate sector, which has traditionally been a key driver of growth. External factors such as the ongoing Russia-Ukraine conflict, interest rate hikes by major economies, and escalating tensions with the United States contributed to the uncertainties facing China's economy and its enterprises. Amid these challenges, the central government took decisive actions in the second half of the year to mitigate risks associated with the real estate market and local government debt. A set of targeted expansionary fiscal and monetary policies was implemented, along with supportive industrial measures. These initiatives began to show signs of effectiveness, leading to a self-repairing economy that gradually recovered, achieving a year-on-year GDP growth rate of 5.2%.

Despite overall economic uncertainties, the outlook for China's copper sector remains positive, particularly as highlighted in the 14th Five-Year Plan (2021–2025) and the 22 February 2021 circular titled “Guiding Opinion on Urging Efforts to Build an Economic System Featuring Green, Low-carbon and Circular Development, and to Promote an Overall Green Transformation of the Economy and Society” 《關於加快建立健全綠色低碳循環發展經濟體系的指導意見》. These plans emphasize a transition to a sustainable economy and the advancement of information technology, particularly with the deployment of 5G networks. Given copper's essential role in electric vehicles (EVs), renewable energy systems, and advanced manufacturing, demand is expected to grow in alignment with the government's goal of achieving carbon neutrality by 2060. Additionally, the increasing focus on electrification, the development of smart grids, and the infrastructure needs for 5G technology present substantial opportunities for the copper industry, likely resulting in boosts to both domestic production and imports.

Nevertheless, the copper sector must navigate several challenges that could hinder its growth within the framework of the 14th Five-Year Plan. Factors such as stringent environmental regulations, resource scarcity, and geopolitical tensions may disrupt supply chains and affect production capacity. Additionally, although the government's initiatives aimed at technological innovation and infrastructure development, including 5G deployment, are expected to stimulate demand, competitive pressures and price volatility in global markets could complicate the sector's landscape.

On 24 September 2024, a series of policies were announced by China's three top financial officials at a press conference to backstop the stalling economy. These notably included a 20-basis-point cut to the seven-day reverse repo rate (RRR; the policy interest rate); a 50-basis-point cut to the reserve requirement ratio (RRR); a rate cut on existing mortgages; capital replenishment of large state-owned banks; and other measures to support the housing and the stock markets.

We believe we are well positioned to benefit from the anticipated increase in demand for copper.

Furthermore, our immediate priority is to successfully complete the bankruptcy reorganizations of our subsidiaries as quickly as possible. While we anticipate that our short-term operational and financial results may be negatively impacted during this process, we remain confident in our long-term business prospects. We believe that demand for our products, particularly copper, will continue to be robust in the future. This confidence underpins our commitment to navigating this reorganization effectively and positioning ourselves for growth once we emerge from this challenging period.

By filing the Bankruptcy Reorganisation Application with the Court voluntarily and, if approved, there would be a platform for (i) Mianyang Tongxin Copper Co., Ltd.* (綿陽銅鑫銅業有限公司) (“Tongxin”), a wholly-owned subsidiary of the Company; (ii) Mianyang Jin Xunhuan Metal Materials Co., Ltd.* (綿陽金循環金屬材料有限公司) (“Jin Xunhuan”), an indirect wholly-owned subsidiary of the Company; (iii) Mianyang Baohe Taiyue Communications Cable Co. Ltd.* (綿陽保和泰越通信線纜有限公司) (“Taiyue”), an indirect wholly-owned subsidiary of the Company; (iv) Hunan Yinlian Xiangbei Copper Co., Ltd.* (湖南銀聯湘北銅業有限公司) (“Yinlian Xiangbei”), an indirect wholly-owned subsidiary of the Company; and (v) Hubei Rongsheng Copper Co., Ltd.* (湖北融晟金屬製品有限公司) (“Hubei Rongsheng”), an indirect wholly-owned subsidiary of the Company (collectively, 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 China in light of the 14th Five-Year Plan published by the China 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.

On 6 June 2022, Tongxin and Jin Xunhuan intended to restructure its existing indebtedness through the applicable provisions of the Enterprise Bankruptcy Law of the PRC. A voluntary application for the aforementioned bankruptcy reorganization of Taiyue has been filed with the Court on 6 June 2022. Please refer to the Company’s announcement dated 6 June 2022 for further details.

On 25 May 2023, Taiyue also intended to restructure its existing indebtedness through the applicable provisions of the Enterprise Bankruptcy Law of the PRC. A voluntary application for the aforementioned bankruptcy reorganization of Taiyue has been filed with the Court on 18 May 2023. Please refer to the Company’s announcement dated 25 May 2023 for further details.

Yinlian Xiangbei received a civil ruling (the “Civil Ruling”) from the People’s Court of Miluo City, Hunan Province in relation to a petition for winding-up against Yinlian Xiangbei filed by Hunan Miziyuan Asset Holdings Co., Ltd.* (湖南汨之源實業集團有限公司) (“Miziyuan”), a creditor of Yinlian Xiangbei, on the ground that Yinlian Xiangbei was unable to repay the debts falling due. The debts involved were in the amount of approximately RMB11.9 million. Yinlian Xiangbei opposed the petition and applied to the Court for bankruptcy reorganisation instead. According to the Civil Ruling, after taking into account the situation of Yinlian Xiangbei and the bankruptcy reorganisation of the Company’s other certain subsidiaries in Mianyang City, Sichuan Province, the Court rejected Miziyuan’s petition for winding-up and accepted Yinlian Xiangbei’s bankruptcy reorganisation application. The People’s Court of Miluo City, Hunan Province appointed Hunan Licheng Asset Liquidation Management Company Ltd.* (湖南利誠資產清算管理有限公司) as the administrator. The administrator subsequently held the first creditors’ meeting on 5 January 2024. Please refer to the Company’s announcement dated 14 August 2023 and 13 October 2023 for further details.

On 7 September 2023, Hubei Rongsheng received (i) a decision dated 12 September 2023; and (ii) notice to Hubei Rongsheng dated 12 September 2023 from the People’s Court of Yunmeng County, Hubei Province in relation to Hubei Rongsheng’s application for pre-restructuring (the “Pre-restructuring”) in accordance with the pre-restructuring procedure under the applicable provisions of the Enterprise Bankruptcy Law of the People’s Republic of China to prepare for its intended bankruptcy reorganisation application. After considering the opinions of Hubei Rongsheng, its main creditors and interested investors and the relevant government authorities, the Court approved the Pre-restructuring of Hubei Rongsheng and designated Hubei Gongshun Accounting Firm* (湖北公順會計師事務所) as provisional administrator of the Pre-restructuring per the discussion of Hubei Rongsheng and its main creditors. Please refer to the Company’s announcement dated 15 September 2023 for further details.

On 22 February 2024, the Company received from 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), the joint administrators for the Debt Restructuring of Tongxin and Jin Xunhuan (the “Joint Administrators”), (i) the Court’s civil ruling to the Joint Administrators dated 26 December 2023; and (ii) the Court notice dated 21 February 2024 (collectively, the “Court Documents”). Pursuant to the Court Documents, the Court accepted the application of Joint Administrators for substantive consolidated bankruptcy reorganization of the Relevant Subsidiaries with the Joint Administrators to perform the duties and responsibilities of administrators for the Debt Restructurings. Please refer to the Company’s announcement dated 6 June 2022, 3 August 2022, 5 August 2022, 3 January 2023, 28 March 2023, 25 May 2023 and 23 February 2024 for further details.

On 3 June 2024, the second creditors’ meeting for Tongxin, Jin Xunhuan and Taiyue (the “Second Creditors’ Meeting”) was held. Agenda of the Second Creditors’ Meeting included: period performance report of the Joint Administrators, verification of the creditors’ rights, report of the Tongxin, Jin Xunhuan and Taiyue’s business operations by the Joint Administrators, proposed resolutions, review of Tongxin, Jin Xunhuan and Taiyue’ property status report and the Relevant Subsidiaries’ management plan and operation supervision plan. Please refer to the Company’s announcement dated 19 June 2024 for further details.

HUMAN RESOURCES

As at 30 June 2023, the Group had a total of 340 employees (31 December 2022: 507). The Group’s staff costs for the six months ended 30 June 2023 were approximately RMB13.8 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 2023 (2022: 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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of recycled copper products	124,221	1,107,971
Sales of power transmission and distribution cables	1,067	49
Sales of communication cables	196	8,648
Sales of scrap materials	13,710	1,675
Others	2,302	872
	<u>141,496</u>	<u>1,119,215</u>

Revenue for the six months ended 30 June 2023 amounted to RMB141.5 million, representing a decrease of 87.4% from RMB1,119.2 million for the six months ended 30 June 2022.

Revenue from copper products amounted to RMB124.2 million for the six months ended 30 June 2023, representing a decrease of 88.8% from RMB1,108.0 million for the six months ended 30 June 2022, reflecting mainly a decrease of 89.1% in the sales volume of all copper products from 17,174 metric tons for the six months ended 30 June 2022 to 1,864 metric tons for the six months ended 30 June 2023, and a decrease of 10.4% in average selling price from RMB64,513 per ton for the six months ended 30 June 2022 to RMB57,809 per ton for the six months ended 30 June 2023. Due to the Group's manufacturing facilities has been suspended certain months and resumed operations on 1 June 2023, which was attributed to the adverse effects of the processing bankruptcy of the Relevant Subsidiaries during the period.

Loss for the Period

Our loss for the six months ended 30 June 2023 was RMB496.4 million whereas loss for the six months ended 30 June 2022 was RMB523.6 million. The decrease in loss was mainly due to the decrease in VAT refunds under the Comprehensive Utilisation of Resources Policy from RMB11.5 million for the six months ended 30 June 2022 to RMB2.6 million for the six months ended 30 June 2023 and offset with the decrease in provision for doubtful debts and impairment of advance payments to suppliers from RMB356.4 million for the six months ended 30 June 2022 to RMB297.5 million for the six months ended 30 June 2023.

CAPITAL STRUCTURE

As at 30 June 2023, 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:

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

	As at 30 June 2023		As at 31 December 2022	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
Interest bearing borrowings:				
Note payables	12–13	24,362	12–13	23,511
Interest-bearing bank and other borrowings	3.85–9.92	1,574,548	3.85–9.92	1,338,370
Lease liabilities	3.25–4.76	1,988	3.25–4.76	2,230
Liability component of convertible bonds	–	–	12.00	231,720
Total interest bearing borrowings		<u>1,600,898</u>		<u>1,595,831</u>

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

	As at 30 June 2023				
	Note payables <i>RMB'000</i>	Interest-bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Liability component of convertible bonds <i>RMB'000</i>	Total <i>RMB'000</i>
Within one year or repayable on demand	24,362	1,574,548	1,890	–	1,600,800
After one year but less than two years	–	–	98	–	98
	<u>24,362</u>	<u>1,574,548</u>	<u>1,988</u>	<u>–</u>	<u>1,600,898</u>
	As at 31 December 2022				
	Note payables <i>RMB'000</i>	Interest-bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Liability component of convertible bonds <i>RMB'000</i>	Total <i>RMB'000</i>
Within one year or repayable on demand	23,511	1,338,370	1,858	231,720	1,595,459
After one year but less than two years	–	–	372	–	372
	<u>23,511</u>	<u>1,338,370</u>	<u>2,230</u>	<u>231,720</u>	<u>1,595,831</u>

Liquidity and financial resources

As at 30 June 2023, the Group's cash and cash equivalents (excluding pledged deposits of RMB502.0 million) amounted to RMB12.3 million (as at 31 December 2022: RMB2.4 million).

The Group's inventories increased by RMB41.5 million to RMB142.4 million (as at 31 December 2022: RMB100.9 million). During the six months ended 30 June 2023, the inventory turnover days were 141 days as compared with 20 days for the year ended 31 December 2022. Such increase was mainly attributable to the decrease in sales of copper products during the six months ended 30 June 2023 and the Group's manufacturing facilities has been suspended certain months and resumed operations on 1 June 2023.

Trade and bills receivables decreased by RMB50.6 million to RMB185.9 million as at 30 June 2023 (as at 31 December 2022: RMB236.5 million). During the six months ended 30 June 2023, the receivables turnover days were 2,095 days as compared with 234 days for the year ended 31 December 2022. The high turnover days for trade and bills receivables are abnormal due to the suspension of the Group's manufacturing facilities for several months, which resumed operations on 1 June 2023, as well as the tight liquidity situation of some customers.

Trade and bills payables increased by RMB125.0 million to RMB1,488.6 million as at 30 June 2023 (as at 31 December 2022: RMB1,613.6 million) while the payable turnover days were 1,796 days, compared with 201 days for the year ended 31 December 2022. The increase in payable turnover days was mainly due to tight liquidity resulting from decreased sales and slower collections. The Group is also currently undergoing Debt Restructuring.

The Group's total interest-bearing borrowings slightly increased by RMB5.0 million to RMB1,600.9 million as at 30 June 2023 (as at 31 December 2022: RMB1,595.9 million).

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 31 December 2020 owed by the Group to Kefa. As of the date of this announcement, the discussion with Kefa on the potential subscription for Shares is still ongoing.

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

	As at 30 June 2023	As at 31 December 2022
Current ratio	0.3	0.3
Quick ratio	0.2	0.3
Debt to equity ratio *	-50.0%	-59.1%
Net debt to equity ratio #	-49.6%	-59.0%

* Total interest-bearing debts/Total equity.

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

The negative debt to equity ratio and net debt to equity ratio were a result of net liabilities of approximately RMB3,199.7 million (As at 31 December 2022: approximately RMB2,702.0 million) mainly attributable to the losses for the period amounted to approximately RMB496.4 million.

Charge on assets

The following table sets forth the net carrying amounts of assets under pledge for certain banking facilities, bills payable facilities, proceeds from factorer and lease liabilities as at the dates included:

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Property, plant and equipment	231,835	246,180
Right-of-use assets	85,243	86,913
Inventories	26,583	27,078
Trade receivables	5,150	2,720
Bank deposits	501,969	703,928
	850,780	1,066,819

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 will consider to use copper futures contracts to mitigate part of its exposure against price fluctuations of copper. The Group did not have any outstanding copper futures contracts as at 30 June 2023 (As at 31 December 2022: Nil). No loss or gain was recognised for the six months ended 30 June 2023 and the corresponding period of 2022.

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, the convertible bonds and contingent consideration liabilities, all of which are mainly denominated in HKD.

As at 30 June 2023, the Group's interest-bearing bank and other borrowings and lease liabilities were denominated in RMB but the certain borrowings were denominated in HKD, with an aggregate principal amount of approximately HKD376.2 million. The Group did not commit to any financial instruments to hedge its foreign exchange exposure during the six months ended 30 June 2023. During the six months ended 30 June 2023, the Company incurred an exchange difference on translation of financial statements of entities outside of the PRC equivalent to approximately RMB2.6 million.

SIGNIFICANT INVESTMENTS HELD

Saved as disclosed elsewhere in this announcement, 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 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2023, the Group did not have any material acquisitions or disposals of subsidiaries or affiliated companies.

CAPITAL EXPENDITURES

For the six months ended 30 June 2023, no capital expenditures for property, plant and equipment (including construction in progress) and right of use of assets in respect of land use right (2022: RMB0.1 million).

CAPITAL COMMITMENTS

As at 30 June 2023, 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 RMB25.8 million (as at 31 December 2022: RMB25.8 million).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group was in progress of various legal litigations relating to bank and other borrowings and trade and other payables. As a result of these litigations, various bank accounts were frozen and various properties, right-of-use assets and inventories were seized.

EVENTS AFTER THE REPORTING PERIOD

On 27 September 2024, the Company entered into a subscription agreement with the investor, pursuant to which the investor agreed to subscribe for and pay for the convertible notes to be issued by the Company in a principal amount of RMB400,000,000, subject to the satisfaction of certain conditions. The convertible notes are convertible in the circumstances set out in the terms and conditions into ordinary shares of HK\$0.10 each share of the Company at a conversion price of HK\$0.465 per ordinary share of the Company.

Except for those disclosed above and in the “PROSPECT” and “RESUMPTION OF TRADING CONDITIONS” sections of this announcement, the Group did not have any other material events after the reporting period.

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 2023.

CORPORATE GOVERNANCE

During the six months ended 30 June 2023, the Company has applied the principles of and is in compliance with all code provisions of the Corporate Governance Code (the “CG Code”) save as disclosed below. Code Provision C.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 C3 of 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 2023.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company since the latest published annual report of the Company are set out below:

- (i) Mr. Li Wei appointed as an independent non-executive director on 28 June 2022;
- (ii) Mr. Gao Qiang appointed as an executive director on 2 September 2022;
- (iii) Mr. Fang Guanghua appointed as an independent non-executive director on 13 October 2022;
- (iv) Mr. Yu Rengzhong appointed as an independent non-executive director on 13 October 2022; and
- (v) Mr. Huang Weiping retired as an executive director on 30 June 2023.

REVIEW OF INTERIM RESULTS

The interim results and unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 has been reviewed by the Audit Committee of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website (<http://www.cmru.com.cn>) respectively. The interim report of the Company for the six months ended 30 June 2023 will be published on the websites of the Stock Exchange and the Company, respectively, in due course, and will be dispatched to the shareholders of the Company upon request.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 3 April 2023 and will remain suspended pending fulfilment of the Resumption Guidance and any supplement or modification thereof.

RESUMPTION OF TRADING CONDITIONS

On 19 May 2023, the Company received a letter issued by the Stock Exchange, which sets out the guidance in relation to the resumption of trading in the shares of the Company on the Stock Exchange (the “Resumption Guidance”). The Stock Exchange requires the Company to meet all Resumption Guidance, remedy the issues causing the Company’s trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in the Company’s securities is allowed to resume. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 2 October 2024. If the Company fails to remedy the substantive issues causing the Company’s trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in its shares by 2 October 2024, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company’s listing.

Pursuant to the Resumption Guidance, the Company shall:

- (a) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (b) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules; and
- (c) inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position.

For further details of the conditions of resumption of trading, please refer to the announcement of the Company dated 24 May 2023.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 2 October 2024

* *For identification purposes only*

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Yu Jianqiu (Chairman), Mr. Kwong Wai Sun Wilson, Mr. Gao Qiang and Ms. Zhu Yufen; and three independent non-executive directors, namely, Mr. Li Wei, Mr. Fang Guanghua and Mr. Yu Rengzhong.