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CHINA METAL RECYCLING (HOLDINGS) LIMITED
中國金屬再生資源(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00773)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2011 amounted to approximately HK$25,335.4 million (six months ended 30 June 2010: HK$8,685.3 million), representing an increase of approximately 191.7% compared to that of the same period last year.

- Profit attributable to owners of the Company for the six months ended 30 June 2011 amounted to approximately HK$1,043.1 million, representing an increase of approximately 148.4% over HK$419.8 million in the same period last year.

- Basic earnings per share attributable to owners of the Company amounted to HK91.60 cents, representing an increase of approximately 128.0% over HK40.18 cents in the same period last year.

INTERIM RESULTS

The board of directors (the "Board") of China Metal Recycling (Holdings) Limited 中國金屬再生資源(控股)有限公司 (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010, which have been reviewed by the Company's audit committee and external auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended 30 June	
	NOTES	**2011**	2010
		HK$'000	*HK$'000*
		(unaudited)	*(unaudited)*
Revenue	3	**25,335,413**	8,685,279
Cost of sales		**(24,206,811)**	(8,156,610)
Gross profit		**1,128,602**	528,669
Other income		**59,050**	16,563
Distribution and selling expenses		**(17,130)**	(6,546)
Administrative expenses		**(133,500)**	(76,740)
Net gain on derivative financial instruments		**197,696**	30,491
Finance costs		**(113,152)**	(26,958)
Share of (loss) profit of an associate		**(3,974)**	389
Profit before taxation		**1,117,592**	465,868
Income tax expense	4	**(65,347)**	(38,489)
Profit for the period	5	**1,052,245**	427,379
Other comprehensive income			
Exchange differences arising from translation of foreign operations			
- subsidiaries		**48,517**	—
- an associate		**1,514**	—
Other comprehensive income for the period		**50,031**	—
Total comprehensive income for the period		**1,102,276**	427,379
Profit for the period attributable to:			
Owners of the Company		**1,043,076**	419,847
Non-controlling interests		**9,169**	7,532
		1,052,245	427,379

	NOTE	**Six months ended 30 June** **2011** ***HK$'000*** ***(unaudited)***	2010 *HK$'000* *(unaudited)*
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,091,079**	419,847
Non-controlling interests		**11,197**	7,532
		1,102,276	427,379
		HK cents	*HK cents*
Earnings per share	7		
- basic		**91.60**	40.18
- diluted		**90.64**	40.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	NOTE	**30 June 2011** *HK$'000* *(unaudited)*	31 December 2010 *HK$'000* *(audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**440,065**	426,817
Investment properties		**—**	1,638
Prepaid lease payments - non-current portion		**202,843**	194,631
Interests in associates		**214,647**	96,625
Deposits paid for acquisition of property, plant and equipment		**83,846**	18,281
Deposits paid for land use rights		**120,917**	129,072
		1,062,318	867,064
CURRENT ASSETS			
Inventories		**1,993,607**	1,747,136
Trade and other receivables and deposits	8	**5,586,680**	7,347,811
Bills receivable		**2,104,263**	717,160
Prepaid lease payments - current portion		**10,126**	9,733
Deposit paid to a related party		**122**	120
Derivative financial instruments		**101,509**	66,745
Taxation recoverable		**—**	3,888
Pledged bank deposits		**1,154,599**	1,630,541
Restricted deposits		**173,090**	251,972
Bank balances and cash		**1,427,120**	1,088,536
		12,551,116	12,863,642

	NOTE	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	9	**1,630,575**	4,171,503
Bills payable	9	**1,343,112**	1,109,965
Amount due to a non-controlling shareholder of a subsidiary		**1,960**	1,960
Amount due to an associate		**28,080**	—
Discounted bills		**1,134,999**	320,588
Derivative financial instruments		**74,219**	134,837
Bank borrowings		**3,377,166**	2,960,962
Tax payable		**86,097**	49,578
		7,676,208	8,749,393
NET CURRENT ASSETS		**4,874,908**	4,114,249
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,937,226**	4,981,313
NON-CURRENT LIABILITIES			
Bank borrowings		**361,446**	352,941
Other long-term payable		**—**	235
		361,446	353,176
NET ASSETS		**5,575,780**	4,628,137
CAPITAL AND RESERVES			
Share capital		**114**	114
Reserves		**5,491,990**	4,556,720
Equity attributable to owners of the Company		**5,492,104**	4,556,834
Non-controlling interests		**83,676**	71,303
TOTAL EQUITY		**5,575,780**	4,628,137

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The application of these new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards, that have been issued but are not yet effective. The following new or revised standards that have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2013

2 Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipate that the application of these new or revised standards will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the principal business of recycling, processing and marketing of metals, including ferrous and non-ferrous metals, which are the raw materials for a wide range of metallic end-products. The Group collects scrap steel, scrap copper and other scrap metals and processes them using advanced equipment to produce quality recycled scrap metals. From time to time, the Group also sells products collected directly to customers when the quality of such products meets certain required standards. During the current period, the Group is also engaged in the recycling and marketing of other materials, other than metals. The revenue can be broadly classified into three categories:

(i) ferrous metals, namely iron and steel;

(ii) non-ferrous metals, including copper, aluminium, etc.; and

(iii) other materials, including ores, scrap plastics, etc..

The board of directors of the Company regularly reviews revenue analysis by the principal products processed/sold by the Group and the Group's consolidated profit for the period for the purposes of resource allocation and performance assessment. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented.

The following is an analysis of the Group's revenue by principal products for the period under review:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Ferrous metals	**4,724,841**	1,958,819
Non-ferrous metals	**18,877,522**	6,726,460
Other materials	**1,733,050**	—
	25,335,413	8,685,279

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
Current period	**63,086**	38,489
Underprovision in prior year	**2,261**	—
	65,347	38,489

No provision for Hong Kong Profits Tax has been made as the Group's subsidiaries in Hong Kong either had no assessable profit or incurred tax losses for both periods.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Under Decree-Law no. 58/99/M, Central Steel (Macao Commercial Offshore) Limited ("Central Steel"), a Macau subsidiary incorporated under that Law (called "58/99/M Company"), is exempted from Macau Complementary tax (Macau income tax) as the 58/99/M Company does not sell its products to any Macau resident company during both periods.

At 30 June 2011, the aggregate amount of temporary differences associated with undistributed earnings of the subsidiaries in the PRC was HK$339,730,000 (31 December 2010: HK$192,710,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**4,718**	1,997
Depreciation of property, plant and equipment	**18,294**	7,505
Depreciation of investment properties	**6**	19
Loss on disposal of property, plant and equipment	**236**	85
Operating lease rentals paid in respect of rented premises	**14,557**	10,012
Gain on disposal of investment properties and prepaid lease payments	**(12,964)**	—
Interest income	**(20,992)**	(9,021)
Net exchange gain	**(22,360)**	(5,889)

6. DIVIDEND

During the current interim period, a final dividend of HK16 cents per share in respect of the year ended 31 December 2010 (six months ended 30 June 2010: HK12 cents per share in respect of the year ended 31 December 2009) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK$182,303,000 (six months ended 30 June 2010: HK$125,400,000).

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2010: Nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**1,043,076**	419,847
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,138,767,566**	1,045,000,000
Effect of diluted potential ordinary shares as a result of the share options granted under the Pre-IPO Scheme and the Post-IPO Scheme	**12,080,080**	4,239,939
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,150,847,646**	1,049,239,939

8. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group generally allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of the Group's trade receivables, presented based on the invoice date at the end of the reporting period, is as follows:

	30 June 2011 *HK$'000*	31 December 2010 *HK$'000*
Trade receivables:		
0 - 30 days	**1,692,155**	1,152,304
31 - 60 days	**1,553,485**	1,096,188
61 - 90 days	**1,230,768**	944,505
91 - 120 days	**494,727**	923,509
121 - 180 days	**340**	1,662,913
Over 180 days	**572**	524,285
	4,972,047	6,303,704
Other receivables and deposits:		
Deposits and prepayments	**29,945**	55,454
Deposits paid for purchase of raw materials	**287,396**	686,151
Other taxes recoverable	**275,771**	279,154
Others	**21,521**	23,348
	614,633	1,044,107
	5,586,680	7,347,811

9. TRADE AND OTHER PAYABLES/BILLS PAYABLE

The aged analysis of the Group's trade payables, presented based on the invoice date at the end of the reporting period, is as follows:

	30 June 2011 HK$'000	31 December 2010 HK$'000
Trade payables:		
0 - 30 days	**1,186,691**	938,813
31 - 60 days	**16,501**	891,316
61 - 90 days	**29,608**	822,360
91 - 120 days	**809**	715,714
121 - 150 days	**8,216**	370,087
Over 150 days	**23,761**	23,484
	1,265,586	3,761,774
Other payables:		
Accruals	**42,557**	45,589
Consideration payable for acquisition of additional interest in a subsidiary	**3,494**	10,961
Payables for acquisition of property, plant and equipment	**1,799**	2,377
Deposits received from customers	**182,783**	146,144
Other taxes payable	**8,892**	30,257
Amounts payable to brokers (note)	**67,576**	133,695
Others	**57,888**	40,706
	364,989	409,729
	1,630,575	4,171,503

Note: Amounts payable to brokers are arising from the Group's margin accounts for its derivative instruments. Out of the amount, HK$7,705,000 (31 December 2010: HK$55,654,000) is unsecured and interest bearing at London Interbank Offered Rate plus a spread, ranging from 1% to 2% (31 December 2010: 0.5% to 1%) and HK$59,871,000 (31 December 2010: HK$78,041,000) is interest-free and secured by inventories with an aggregate carrying amount of HK$202,995,000 (31 December 2010: HK$131,979,000).

All the bills payable of the Group are aged within 180 days and not yet due at the end of the reporting period. Bills payable are secured by pledged bank deposits of HK$224,641,000 (31 December 2010: HK$370,056,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business Overview

The Group's interim results for the six months ended 30 June 2011 (the "Period") achieved another record which follows the outstanding growth momentum in the past few years. Revenue and profit attributable to owners of the Company for the Period were up by approximately 191.7% and 148.4% to HK$25,335.4 million and HK$1,043.1 million respectively when compared with the six months ended 30 June 2010 (the "Last Period"), as a result of the expansion of our regional coverage, increased market share and the continued strong demand for recycled metals. Tightened credit in China has also provided a favorable business environment to the Group, as many smaller players faced difficulties in obtaining necessary financings. Leveraging on the Group's scale of operation, financing and other competitive advantages, the Group has gained additional market share. Sales volume of ferrous metals for the Period was approximately 1.1 million tons, an increase of approximately 69.7% compared to the Last Period while sales volume of non-ferrous metals for the Period was approximately 310,000 tons, an increase of approximately 129.5% compared to the Last Period. Other materials represent the sales of other raw materials to our customers such as ores, scrap plastics, etc. Leveraging on the long term relationships with our customers and sourcing capabilities, the Group cross-sells these other raw materials to our customers.

China's crude steel production during the Period reached approximately 350 million tons, an increase of approximately 9.6% compared to the Last Period. China's copper cathode production during the Period was approximately 2.64 million tons, an increase of approximately 16.8% compared to the Last Period. The penetration of scrap metals consumption in China during the Period has remained at a low level when compared with figures in the developed countries. Therefore, there exists a great potential for increasing the Group's penetration of recycled metals in China.

For the Eastern China operation, benefiting from the smooth operations of the port in Jiangyin, and with the benefit of being one of the best metal recycling markets in China, business flow has remained strong in the region. The Group has continued its growth momentum in the revenue of the Eastern China region during the Period. Margins have improved as compared to the Last Period as a result of the ramp up operation and the increase in regional market share. Jiangyin port has been the regional logistic and distribution hub supporting the Group's recycling base in the Eastern China region and improved the Group's operational efficiency and competitiveness in the region and lowered transportation costs.

For the Northern China operation, business flow has continued to increase as a result of the smooth execution of the operation. The joint venture with 天津鋼管集團股份有限公司 (Tianjin Pipe (Group) Corporation) and 11 regional recyclers (the "Tianjin Joint Venture") has started business operation and will create a "Strong-Strong" alliance by combining the competitive advantages of the shareholders. We are confident that the Tianjin Joint Venture will become the largest recycling platform in the region, thereby greatly enhancing the Group's bargaining and managing power in the Northern China region.

For the Southern China operation, business has been stable. The Zhongshan site expanded our collection coverage and contributed an additional capacity of 300,000 tons. On 15 March 2011, the Company entered into a non-binding memorandum of understanding with 廣東物資集團公司 (Guangdong Materials Group Corporation) ("GDWZ") to set up a joint venture to engage in the business of recycling in the Southern China region. The discussion is ongoing and the Group is in process of finalizing the terms with GDWZ. The proposed co-operation would help the Group create an integrated metal recycling system that combines the recycling and dismantling of scrap metals, electrical appliances, motor vehicles, vessels and aircrafts.

For the Central China operation, the Wuhan site has been ramping up. The Group has been expanding its regional suppliers network to meet the demand from the major customer, 武漢鋼鐵(集團)公司 (Wuhan Iron and Steel (Group) Corporation).

Our future development strategy is to leverage on our competitive advantages to 1) continue to strengthen our strategic national network and product categories in order to establish an integrated metal recycling system that combines the recycling and dismantling of scrap metals, electrical appliances, motor vehicles and vessels, so as to fully support the State government's target of establishing a comprehensive recycling system under the 12th Five-Year Plan, 2) develop a diversified sales and procurement network to enlarge our market share, 3) continue to invest in advanced machineries and environmental protection facilities to ensure operational efficiency and economies of scale, and 4) increase investment in our staff to enhance management quality and strengthen our overall operational and business integration capability. The strategy of combining both organic and inorganic approaches of corporate development to maintain our relative first-mover advantage will be continued to reinforce our leadership position in the metal recycling industry in China.

Looking forward into second half of 2011, though facing uncertainties in the macro-economic conditions, the Group is confident to continue the volume growth momentum of the first half of 2011. With contributions from our multiple regional operations, we are confident to deliver more than spectacular returns to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Period was HK$25,335.4 million (six months ended 30 June 2010 ("Last Period"): HK$8,685.3 million), representing an increase of 191.7% as compared to that for the Last Period.

Increase in the Group's revenue was mainly attributable to the significant increase in the sales of both ferrous and non-ferrous metals during the Period. The Group's business from new regions, namely the Eastern China region and the Northern China region, have contributed significantly to the increase during the Period.

Gross Profit

Gross profit of the Group for the Period was HK$1,128.6 million (Last Period: HK$ 528.7 million), representing an increase of 113.5 % as compared to that for the Last Period. Gross profit margin of the Group for the Period was 4.5% (Last Period: 6.1%), representing a decrease of 1.6%. The decrease was mainly due to the increase in contributions from new regions which have lower gross profit margins and the lower selling prices when metal commodity prices decrease between the time of raw materials purchase and the time of sales, majority of which have already been hedged by metal commodity future contracts.

Other Income

Other income for the Period, including mainly interest income, exchange gain and gain on disposal of investment properties and the relevant prepaid lease payments, increased by 256.5% from HK$16.6 million for the Last Period to HK$59.1 million. The increase was mainly due to the increases in exchange gain and interest income from bank deposits by HK$16.5 million and HK$12.0 million respectively. Renminbi had been appreciating against United States dollars during the Period.

Distribution and Selling Expenses

Distribution and selling expenses for the Period amounted to HK$17.1 million, representing an increase of 161.7% compared to that for the Last Period. The increase was mainly attributable to the increase in volume of our products sold.

Administrative Expenses

Administrative expenses including staff salaries, bank charges, depreciation expenses and other general administration expenses for the Period amounted to HK$133.5 million, representing an increase of 74.0% over that of HK$76.7 million for the Last Period.

The increase was mainly attributable to the increase in the number of executive staff for the operations of the Group in the new regions in China; and various expenses, mainly bank charges and other taxes, incurred by the Group when expanding its operations.

The Group recognized total expenses of HK$14.2 million for the Period (Last Period: HK$19.7 million) in relation to share options granted by the Company under the Pre-IPO and the Post-IPO share option schemes adopted by the Company.

Net Gain on Derivative Financial Instruments

Net gain on derivative financial instruments represents the net gain arising from the changes in fair value of the metal commodity future contracts used to hedge against the Group's purchases and inventory. Metal commodity prices have been volatile during the Period and resulted in net gains on those commodity future contracts used to hedge against the corresponding spot purchase or inventory when metal commodity prices decrease during the hedged period.

Finance Costs

Finance costs increased by 319.7% from HK$27.0 million for the Last Period to HK$113.2 million for the Period. The finance costs for the Period mainly arose from trade financing from banks for working capital purposes.

Profit Attributable to Owners of the Company

The profit attributable to owners of the company for the Period grew by 148.4% to HK$1,043.1 million as compared with HK$419.8 million for the Last Period.

Key Financial Ratios

The following table sets forth certain of our financial ratios as at the date for the periods indicated.

	At 30 June, 2011	At 31 December, 2010
Current ratio	**1.6**	1.5
Gearing ratio (%)	**35.8**	26.5

	For the six months ended 30 June	
	2011	2010
Inventory turnover days	**14**	16
Debtors' turnover days	**51**	75
Creditors' turnover days	**28**	34

Working Capital

The inventory turnover of the Group was 14 days for the Period as compared to 16 days for the Last Period. In order to better manage the commodity price risk during the Period, the inventory level was maintained at a lower level.

The Group's debtors' turnover (including both trade debtors and bills receivable) was 51 days for the Period as compared to 75 days for the Last Period. The Group generally allows average credit periods of 30 to 60 days and 30 to 90 days to its ferrous and non-ferrous customers respectively. The decrease was primarily due to speeding up of repayment by certain customers and tightening credit control of the Group.

The Group's creditors' turnover (including both trade payables and bills payable) was 28 days for the Period as compared to 34 days for the Last Period. Credit periods granted by the Group's suppliers rung up to 60 days.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2011, the Group has net current assets of HK$4,874.9 million (31 December 2010: HK$4,114.2 million) of which cash and bank deposits were HK$2,754.8 million (31 December 2010: HK$2,971.0 million). Total borrowings as at 30 June 2011, including discounted bills, were HK$4,873.6 million (31 December 2010: HK$3,634.5 million), of which HK$4,512.2 million are repayable within one year (31 December 2010: HK$3,281.6 million). Such borrowings are mainly denominated in Renminbi, United States ("US") Dollars and Hong Kong Dollars. They were mainly used to finance the purchases of the Group. The Group's gearing ratio as at 30 June 2011 (total borrowings divided by total assets) was 35.8% (31 December 2010: 26.5%).

The Group's transactions and the monetary assets are principally denominated in Renminbi, Hong Kong dollars and US dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the Period.

The Group adopts centralised financing and treasury policies in order to ensure the Group's funding is utilised efficiently. Conservative approach is adopted in monitoring foreign exchange exposure and interest rate risk. Forward contracts were used to hedge the foreign currency exposure in trading activities when it was considered appropriate.

The Group's liquidity position remains strong and the Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

Capital Expenditure and Capital Commitments

In order to enhance production capacity, the Group invested approximately HK$87.1 million during the Period (Last Period: HK$180.7 million) in the acquisition of new fixed assets. These mainly represented the acquisition and deposits paid for buildings in Tianjin, construction work as well as machineries for various plants in China.

As at 30 June 2011, the Group made capital expenditure commitments of approximately HK$130.0 million (31 December 2010: HK$318.2 million) which were contracted but not provided for in the financial statements. These commitments were mainly related to the investment in an associate in Tianjin.

Charges on Group Assets

As at 30 June 2011, the Group's banking facilities were mainly collateralised by certain bank deposits amounted to HK$1,154.6 million (31 December 2010: HK$1,630.5 million), bills receivable amounted to HK$1,235.9 million (31 December 2010: HK$449.4 million) and inventories amounted to HK$203.0 million (31 December 2010: HK$398.8 million). As at 31 December 2010, trade receivables amounted to HK$53.5 million and certain land and buildings of the Group of approximately HK$4.4 million were pledged for the Group's banking facilities.

Foreign Exchange Risk Management

Most of the sales of the Group are settled in Renminbi, which is not freely convertible into foreign currencies. The fluctuation of Renminbi during the Period did not have any adverse effect on the Group's results. Besides, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instruments for hedging purposes when considered appropriate.

Contingent Liabilities

As at 30 June 2011 and 31 December 2010, the Group had no material contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2011, the Group had a workforce of more than 500 people. Salaries of employees are maintained at competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group has share option schemes whereby employees of the Group are granted options to acquire shares in the Company.

Good relationship has been maintained between the Group and its employees. The Group also provides internal training to staff and provides bonuses based on staff performance and profits of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted a code of conduct regarding securities transactions of the directors, senior management and relevant employees (who, because of their office in the Group, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) of the Group (the "Own Code") on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Having made specific enquiry with all directors, all the members of the Board have confirmed that they have complied with the required standard as set out in the Model Code and the Own Code throughout the six months ended 30 June 2011. No incident of non-compliance of the Model Code or the Own Code during the period by the senior management and relevant employees was noted by the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance in the interests of its shareholders. Throughout the six months ended 30 June 2011, the Company followed the principles and complied with all code provisions under the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules save for the deviation disclosed below.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Chun Chi Wai currently holds both the offices of Chairman and Chief Executive Officer of the Company. The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority within the Board as all major decisions are made in consultation with members of the Board as well as the senior management of the Company. Beside, this arrangement provides the Company with a strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group with the management of the Company and discussed and reviewed the auditing and financial matters, including major internal control procedures and the unaudited interim financial statements for the six months ended 30 June 2011.

The interim financial statements have been reviewed by the Company's auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity".

All members of the audit committee are independent non-executive directors of the Company, namely, Mr. Chan Kam Hung (Chairman), Mr. Leung Chong Shun and Mr. Yan Qi Ping.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners, bankers and auditor for their support to the Group throughout the period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The Company's interim report for the six months ended 30 June 2011 will be despatched to the shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.chinametalrecycle.com and www.cmr773.com) in due course.

On behalf of the Board
China Metal Recycling (Holdings) Limited
中國金屬再生資源(控股)有限公司
Chun Chi Wai
Chairman and Chief Executive Officer

25 August 2011

As at the date of this announcement, our executive Directors are Mr. Chun Chi Wai, Mr. Fung Ka Lun and Mr. Jiang Yan Zhang; our non-executive Director is Ms. Lai Wun Yin; and our independent non-executive Directors are Mr. Chan Kam Hung, Mr. Leung Chong Shun and Mr. Yan Qi Ping.