Huan Yue Interactive Holdings Limited
歡悅互娛控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code : 00505

2018
Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. HU Changyuan *(Chairman)*
Mr. HU Minglie *(Chief Executive Officer)*
Mr. CHEN Jianhua
Mr. REN Hao
Mr. ZHU Wenjun

Non-Executive Director

Mr. DAI Jianchun

Independent Non-Executive Directors

Mr. CHAI Chaoming
Dr. LOU Dong
Ms. LU Hong

Audit Committee

Mr. CHAI Chaoming *(Chairman)*
Mr. DAI Jianchun
Ms. LU Hong

Remuneration Committee

Dr. LOU Dong *(Chairman)*
Ms. LU Hong
Mr. ZHU Wenjun

Nomination Committee

Mr. CHAI Chaoming *(Chairman)*
Mr. DAI Jianchun
Ms. LU Hong
Dr. LOU Dong
Mr. REN Hao

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Mr. ZHU Wenjun
Ms. MUI Ngar May, Joel

PRINCIPAL LEGAL ADVISORS

P.R.C. & Hong Kong

Zhong Lun Law Firm

Cayman Islands

Conyers Dill & Pearman, Cayman

AUDITORS

KPMG

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Corporate Information

PRINCIPAL PLACE OF BUSINESS

Hong Kong

Flat 11, 11/F., Hung Tai Industrial Building
37-39 Hung To Road, Kwun Tong
Kowloon, Hong Kong

PRC (Online Game Business)

No. 8, Yuehai Road
Shenzhen
Guangdong Province
518066, PRC

PRC (Copper Business)

No. 68, Jin Xi Road
Hangzhou Bay New Zone
Ningbo
Zhejiang Province
315336, PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
P.O. Box 705
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Bank of China

COMPANY WEBSITE

www.huanyue.com.hk

STOCK CODE

505

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018 (unaudited)

	Note	Six months ended 30 June 2018 *RMB'000*	 2017 *RMB'000* (Note)
Revenue	*5*	**2,557,297**	2,001,740
Cost of sales		**(2,363,505)**	(1,769,310)
Gross profit		**193,792**	232,430
Other income		**16,247**	10,100
Distribution expenses		**(23,685)**	(25,071)
Administrative expenses		**(93,306)**	(115,253)
Other expenses		**(23,423)**	(406)
Profit from operations		**69,625**	101,800
Finance income		**16,079**	18,817
Finance costs		**(29,450)**	(24,723)
Net finance costs	*6(a)*	**(13,371)**	(5,906)
Profit before taxation	*6*	**56,254**	95,894
Income tax	*7*	**(7,616)**	(20,321)
Profit for the period		**48,638**	75,573
Attributable to:			
Equity shareholders of the Company		**47,730**	74,470
Non-controlling interests		**908**	1,103
Profit for the period		**48,638**	75,573
Earnings per share			
– Basic *(RMB cents)*	*8(a)*	**5.60**	9.02
– Diluted *(RMB cents)*	*8(b)*	**5.58**	9.01

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018 (unaudited)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
		(Note)
Profit for the period	**48,638**	75,573
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(3,876)**	1,039
Total comprehensive income for the period	**44,762**	76,612
Attributable to:		
Equity shareholders of the Company	**43,854**	75,509
Non-controlling interests	**908**	1,103
Total comprehensive income for the period	**44,762**	76,612

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

Consolidated Statement of Financial Position

As at 30 June 2018 (unaudited)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	9	**940,826**	978,621
Lease prepayments		**12,156**	13,351
Intangible assets		**3,547**	5,100
Goodwill	10	**119,650**	138,153
Loans and receivables		**3,126**	3,037
Deferred tax assets		**29,015**	34,286
Deposits for acquisition of property, plant and equipment		**12,177**	4,823
		1,120,497	1,177,371
Current assets			
Inventories	11	**683,978**	654,182
Trade and other receivables	12	**500,755**	529,726
Derivative financial instruments		**2,979**	1,765
Restricted bank deposits	13	**148,778**	116,093
Bank deposits with maturity over three months		**10,090**	10,000
Cash and cash equivalents		**171,746**	166,319
		1,518,326	1,478,085
Current liabilities			
Contract liabilities	14	**25,866**	–
Trade and other payables	15	**714,073**	615,299
Interest-bearing borrowings	16	**574,907**	627,751
Derivative financial instruments		**977**	11,607
Income tax payable		**14,296**	48,319
		1,330,119	1,302,976
Net current assets		**188,207**	175,109
Total assets less current liabilities		**1,308,704**	1,352,480

Consolidated Statement of Financial Position (Continued)

As at 30 June 2018 (unaudited)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000 (Note)
Non-current liabilities			
Contract liabilities	*14*	**576**	–
Interest-bearing borrowings	*16*	**161,000**	231,000
Contingent consideration payable		**–**	23,704
Deferred income		**45,050**	49,760
Deferred tax liabilities		**8,387**	8,775
		215,013	313,239
Net assets		**1,093,691**	1,039,241
Capital and reserves	*17*		
Share capital		**77,417**	75,458
Reserves		**992,761**	936,714
Total equity attributable to equity shareholders of the Company		**1,070,178**	1,012,172
Non-controlling interests		**23,513**	27,069
Total equity		**1,093,691**	1,039,241

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 (unaudited)

	Note	Attributable to equity shareholders of the Company										
		Share capital	Share premium	Capital reserve	PRC statutory reserve	Translation reserve	Treasury shares held for the Share Award Scheme	Share-based compensation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018 (Note)		75,458	307,827	259,726	65,641	(14,372)	(5,817)	4,079	319,630	1,012,172	27,069	1,039,241
Impact on initial application of IFRS 9		-	-	-	-	-	-	-	(3,328)	(3,328)	(116)	(3,444)
Adjusted balance at 1 January 2018		75,458	307,827	259,726	65,641	(14,372)	(5,817)	4,079	316,302	1,008,844	26,953	1,035,797
Changes in equity for the six months ended 30 June 2018:												
Profit for the period		-	-	-	-	-	-	-	47,730	47,730	908	48,638
Other comprehensive income		-	-	-	-	(3,876)	-	-	-	(3,876)	-	(3,876)
Total comprehensive income for the period		-	-	-	-	(3,876)	-	-	47,730	43,854	908	44,762
Share Award Scheme												
–Treasury shares held for the Share Award Scheme	*19*	-	-	-	-	-	(401)	-	-	(401)	-	(401)
–Value of employee services	*19*	-	-	-	-	-	-	1,235	-	1,235	-	1,235
–Shares vested under the Share Award Scheme and transferred to the grantees	*19*	-	-	-	-	-	2,405	(2,277)	(128)	-	-	-
Issued new shares for contingent consideration		1,959	14,687	-	-	-	-	-	-	16,646	-	16,646
Disposal of interest in a subsidiary		-	-	-	(710)	-	-	-	710	-	(4,348)	(4,348)
As at 30 June 2018		77,417	322,514	259,726	64,931	(18,248)	(3,813)	3,037	364,614	1,070,178	23,513	1,093,691

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2018 (unaudited)

		Attributable to equity shareholders of the Company										
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Translation reserve *RMB'000*	Treasury shares held for the Share Award Scheme *RMB'000*	Share-based compensation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017		73,687	295,251	259,726	60,931	(17,064)	(3,256)	–	188,856	858,131	27,759	885,890
Changes in equity for the six months ended 30 June 2017:												
Profit for the period		–	–	–	–	–	–	–	74,470	74,470	1,103	75,573
Other comprehensive income		–	–	–	–	1,039	–	–	–	1,039	–	1,039
Total comprehensive income for the period		–	–	–	–	1,039	–	–	74,470	75,509	1,103	76,612
Share Award Scheme												
–Treasury shares held for the Share Award Scheme	19	–	–	–	–	–	(1,914)	–	–	(1,914)	–	(1,914)
–Value of employee services	19	–	–	–	–	–	–	247	–	247	–	247
–Shares vested under the Share Award Scheme and transferred to the grantees	19	–	–	–	–	–	307	(247)	(60)	–	–	–
Issued new shares for contingent consideration		1,771	12,576	–	–	–	–	–	–	14,347	–	14,347
At 30 June 2017		75,458	307,827	259,726	60,931	(16,025)	(4,863)	–	263,266	946,320	28,862	975,182

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018 (unaudited)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
		(Note)
Operating Activities		
Cash generated from/(used in) operations	**161,419**	(13,492)
Tax paid	**(34,592)**	(24,239)
Net cash generated from/(used in) operating activities	**126,827**	(37,731)
Investing Activities		
Payment for the purchase of property, plant and equipment	**(30,413)**	(23,377)
Other cash flows arising from investing activities	**(15,954)**	(12,667)
Net cash used in investing activities	**(46,367)**	(36,044)
Financing Activities		
Proceeds from borrowings	**813,569**	848,622
Repayment of borrowings	**(890,968)**	(666,288)
Other cash used in financing activities	**(401)**	(62,894)
Net cash (used in)/generated from financing activities	**(77,800)**	119,440
Net increase in cash and cash equivalents	**2,660**	45,665
Cash and cash equivalents at 1 January	**166,319**	168,942
Effect of movements in exchange rates on cash held	**2,767**	(1,201)
Cash and cash equivalents at 30 June	**171,746**	213,406

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

1. REPORTING ENTITY AND BACKGROUND INFORMATION

Huan Yue Interactive Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2007 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 December 2007 (the "**Listing Date**").

The interim financial report as at and for the six months ended 30 June 2018 comprises the Company and its subsidiaries (together referred to as the "**Group**"). The principal activities of the Group are the manufacture and sales of high precision copper plates and strips, trading of raw materials, and provision of processing services. After the acquisition of an online games business in August 2016, the Group's activities also include developing, publishing and operating online games and provision of related services.

2. BASIS OF PREPARATION

The Company's interim financial report has been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**") as well as the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of the changes in accounting policies are set out in note 3. It was authorised for issue on 28 August 2018.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, 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 condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3. CHANGE IN ACCOUNTING POLICIES

(a) Overview

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

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

Details of the changes in accounting policies are discussed in note 3(b) for IFRS 9 and note 3(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and IFRS 15:

	At 31 December 2017 *RMB'000*	Impact on initial application of IFRS 9 (Note 3(b)) *RMB'000*	Impact on initial application of IFRS 15 (Note 3(c)) *RMB'000*	**At 1 January 2018** ***RMB'000***
Deferred tax assets	34,286	1,127	–	**35,413**
Total non-current assets	1,177,371	1,127	–	**1,178,498**
Trade and other receivables	529,726	(4,571)	–	**525,155**
Total current assets	1,478,085	(4,571)	–	**1,473,514**
Contract liabilities	–	–	(24,424)	**(24,424)**
Trade and other payables	(615,299)	–	24,424	**(590,875)**
Total current liabilities	(1,302,976)	–	–	**(1,302,976)**
Net current assets	175,109	(4,571)	–	**170,538**
Total assets less current liabilities	1,352,480	(3,444)	–	**1,349,036**
Contract liabilities	–	–	(873)	**(873)**
Deferred income	(49,760)	–	873	**(48,887)**
Total non-current liabilities	(313,239)	–	–	**(313,239)**
Net assets	1,039,241	(3,444)	–	**1,035,797**
Reserves	(936,714)	3,328	–	**(933,386)**
Total equity attributable to equity shareholders of the Company	(1,012,172)	3,328	–	**(1,008,844)**
Non-controlling interests	(27,069)	116	–	**(26,953)**
Total equity	(1,039,241)	3,444	–	**(1,035,797)**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

3. CHANGE IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on:	
– trade and other receivables	**(4,417)**
Related tax	**1,089**
Net decrease in retained earnings at 1 January 2018	**(3,328)**
Non-controlling interests	
Recognition of additional expected credit losses on trade and other receivables and decrease in non-controlling interests at 1 January 2018	**(116)**

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and financial liabilities of the Group remain the same under IFRS 9.

The carrying amounts for all financial assets as at 1 January 2018 have not been impacted by the initial application of the new classification requirement under IFRS 9, but impacted by the initial application of the expected credit loss ("**ECL**") model under IFRS 9 (see note ii).

3. CHANGE IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (Continued)

(i) ***Classification of financial assets and financial liabilities*** *(Continued)*

The carrying amounts for all financial liabilities as at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) ***Credit losses***

IFRS 9 replaces the "incurred loss" model in IAS 39 with the expected credit loss ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, bank deposits with maturity over three months, restricted bank deposits, trade and other receivables and loans and receivables).

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

The following table shows the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	**IFRS 9 carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Financial assets carried at amortised cost				
Cash and cash equivalents	166,319	–	–	**166,319**
Bank deposits with maturity over three months	10,000	–	–	**10,000**
Restricted bank deposits	116,093	–	–	**116,093**
Trade and other receivables	529,726	–	(4,571)	**525,155**
Loans and receivables	3,037	–	–	**3,037**
	825,175	–	(4,571)	**820,604**
Financial assets carried at FVPL				
Derivative financial instruments	1,765	–	–	**1,765**

3. CHANGE IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (Continued)

***(ii) Credit losses** (Continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3. CHANGE IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (Continued)

(ii) Credit losses *(Continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. CHANGE IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (Continued)

(ii) Credit losses *(Continued)*

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3. CHANGE IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (Continued)

(ii) Credit losses *(Continued)*

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB4,571,000, which decreased retained earnings by RMB3,328,000 and non-controlling interests by RMB116,000 and increased gross deferred tax assets by RMB1,127,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	**462**
Additional credit loss recognised at 1 January 2018:	
– trade and other receivables	**4,571**
Loss allowance at 1 January 2018 under IFRS 9	**5,033**

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

(c) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

3. CHANGE IN ACCOUNTING POLICIES (Continued)

(c) IFRS 15, *Revenue from contracts with customers* (Continued)

The adoption of IFRS 15 does not have any material impact on the financial position and the financial result of the Group except for the presentation of contract assets and contract liabilities.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Under IFRS 15, *Revenue* is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Under IFRS 15, revenue from sales of goods continue to be recognised upon delivery to the customers. Revenue from publishing and operating online games is recognised upon the purchase of virtual currencies by the game players. Revenue from technical service is recognised upon the delivery of related service.

The adoption of IFRS 15 did not have a significant impact on timing of revenue recognition.

(ii) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

3. CHANGE IN ACCOUNTING POLICIES (Continued)

(c) IFRS 15, *Revenue from contracts with customers* (Continued)

(ii) Presentation of contract assets and liabilities *(Continued)*

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

"Advances received from customers" amounting to RMB24,424,000, which was previously included in trade and other payables is now included under "Contract Liabilities".

"Deferred income – Others" amounting to RMB873,000 is now included under "Contract Liabilities".

(d) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

4. CHANGE IN ACCOUNTING ESTIMATES

After conducting a review on the useful lives of the fixed assets of the Group, in order to more accurately reflect the useful lives of the fixed assets and to ensure that the fixed assets and their related depreciation expenses more appropriately reflect the Group's actual usage conditions, the Group resolved to change the accounting estimates of the useful lives of certain copper processing equipment from 15 years to 10 years.

Since the massive investment on equipment expenditures from 2012, the Group has proactively devoted to increase its copper processing business capacity, i.e. from an annual output of 55,431 tons of 2012 to 129,633 tons of 2017.

To increase capacity and assure product quality, the Group has purchased state-of-the-art equipment and machinery, which have a high degree of automation. In addition, the cycle to upgrade the copper processing equipment has shortened due to key technical parameters is changing in a faster pace in the copper processing industry. Therefore, it is expected that the currently expected useful lives of the above fixed assets is different from the useful lives originally estimated for such class of equipment.

These changes in estimated useful lives of these assets were accounted for as changes in accounting estimates effective since 1 April 2018. The impact of these changes for the three months period ended 30 June 2018 was an increase in depreciation expense of RMB6.5 million.

5. REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

The principal activities of the Group are (i) the manufacture and sales of high precision copper plates and strips, trading of raw materials, provision of processing services; and (ii) developing, publishing and operating online games and provision of related services.

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
Copper products related:		
– Sales of high precision copper plates and strips	**2,240,406**	1,765,747
– Processing service fees	**89,904**	98,791
– Trading of raw materials	**210,611**	123,346
	2,540,921	1,987,884
Online games related:		
– Technical service income	**149**	5,380
– Publishing and operating online games	**15,879**	7,515
– Others	**348**	961
	16,376	13,856
	2,557,297	2,001,740
Disaggregated by geographical location of customers		
– Mainland China	**2,044,930**	1,672,124
– Hong Kong	**157,822**	69,530
– Singapore	**114,952**	96,398
– Taiwan	**56,719**	27,055
– Bangladesh	**41,503**	26,343
– Thailand	**39,291**	21,020
– India	**36,087**	41,290
– Other countries	**65,993**	47,980
	2,557,297	2,001,740

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

Copper products – this segment carries on the business of manufacturing and selling high precision copper plates and strips products, providing processing services of copper plates and strips products and trading of raw materials.

Online games – this segment carries on the business of developing, publishing and operating online games and providing technical support services.

(i) Segment results, assets and liabilities

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

Segment assets include all assets in the consolidated financial statements. Segment liabilities include all liabilities with the exception of unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. The measure used for reporting segment profit is profit before taxation. In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue, interest income and expenses related to cash balances and borrowings managed directly by segments, depreciation and amortisation and impairment losses. Change in fair value of contingent consideration payables is not included in the measure of the segments' profit that is used by the senior executive management for assessment of segment performance.

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 six months ended 30 June 2018 and 2017 is set out below.

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) *Segment results, assets and liabilities* (Continued)

Six months ended 30 June	Copper products		Online games		Total	
	2018 *RMB'000*	2017 *RMB'000* (Note)	**2018** *RMB'000*	2017 *RMB'000* (Note)	**2018** *RMB'000*	2017 *RMB'000* (Note)
Revenue from external customers	**2,540,921**	1,987,884	**16,376**	13,856	**2,557,297**	2,001,740
Inter-segment revenue	**–**	265	**–**	–	**–**	265
Reportable segment revenue	**2,540,921**	1,988,149	**16,376**	13,856	**2,557,297**	2,002,005
Reportable segment profit (profit before taxation)	**64,371**	76,024	**(15,639)**	4,413	**48,732**	80,437
Interest income from bank deposits	**1,600**	334	**196**	26	**1,796**	360
Net interest expense	**(17,934)**	(18,702)	**–**	–	**(17,934)**	(18,702)
Depreciation and amortisation	**(48,211)**	(44,515)	**(1,594)**	(1,765)	**(49,805)**	(46,280)
Impairment of goodwill	**–**	–	**(18,503)**	–	**(18,503)**	–
As at 30 June/31 December						
Reportable segment assets	**2,432,703**	2,451,499	**206,302**	204,137	**2,639,005**	2,655,636
Reportable segment liabilities	**(1,509,120)**	(1,554,249)	**(19,503)**	(20,492)	**(1,528,623)**	(1,574,741)

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see note 3).

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenue, profit before taxation

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
Reportable segment revenues	**2,557,297**	2,002,005
Elimination of inter-segment revenue	**–**	(265)
Consolidated revenue	**2,557,297**	2,001,740
Profit before taxation		
Reportable segment profit	**48,732**	80,437
Other gains or losses:		
– Change in fair value of contingent consideration payables	**7,522**	15,457
Consolidated profit before taxation	**56,254**	95,894

(iii) Reconciliations of reportable segment assets and liabilities

	At 30 June	At 31 December
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Assets		
Reportable segment assets	**2,639,005**	2,655,636
Elimination of inter-segment receivables	**(182)**	(180)
Consolidated total assets	**2,638,823**	2,655,456
Liabilities		
Reportable segment liabilities	**1,528,623**	1,574,741
Elimination of inter-segment payables	**(182)**	(180)
Unallocated corporate liabilities	**16,691**	41,654
Consolidated total liabilities	**1,545,132**	1,616,215

6. PROFIT BEFORE TAXATION

Profits before taxation is arrived after charging/(crediting):

(a) Net finance costs

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income on bank deposits	**1,796**	360
Change in fair value of contingent consideration payables	**7,522**	15,457
Unrealised gain from foreign exchange forward contracts	**6,761**	–
Net foreign exchange gain	**–**	3,000
Finance income	**16,079**	18,817
Interest expenses	**(18,431)**	(20,531)
Less: interest expense capitalised*	**497**	1,829
Net interest expense recognised in profit or loss	**(17,934)**	(18,702)
Net foreign exchange loss	**(11,516)**	–
Losses from foreign exchange forward contracts and interest rate swap	**–**	(6,021)
Finance costs	**(29,450)**	(24,723)
Net finance costs	**(13,371)**	(5,906)

* The borrowing costs were capitalised at rates of 2.15%-5.15% per annum during the six months ended 30 June 2018 (six months ended 30 June 2017: 1.28%-6.88% per annum).

6. PROFIT BEFORE TAXATION (Continued)

(b) Other items

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited) (Note)
Cost of inventories*	**2,359,025**	1,765,870
Research and development expenditure (included in administrative expense)	**46,097**	74,834
Depreciation	**48,078**	44,373
Impairment losses		
– trade and other receivables	**4,850**	–
– goodwill	**18,503**	–
Amortisation		
– Lease prepayments	**174**	179
– Intangible assets	**1,553**	1,728
Government grants	**4,245**	6,332

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see note 3).

* Cost of inventories includes depreciation of RMB27,504,000 (six months ended 30 June 2017: RMB23,804,000), which is also included in the total amount of depreciation expenses disclosed separately below.

7. INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
Provision for PRC Corporate Income Tax	**10,571**	15,793
Over-provision in respect of prior year	**(8,965)**	(86)
	1,606	15,707
Deferred tax		
Origination and reversal of temporary differences	**6,010**	4,614
	7,616	20,321

The provision for PRC Corporate Income Tax is calculated by applying the estimated annual effective rates of taxation that are expected to be applicable to each entity operating in the PRC.

The Group's consolidated effective tax rate for the six months ended 30 June 2018 was 14% (six months ended 30 June 2017: 21%). The decrease in the effective tax rate was mainly due to the Group's two major subsidiaries received tax refund during the 2017 annual tax filling process in April and May 2018 in respect of the overpayment of 2017 income tax as they were entitled to 50% additional deduction for qualified research and development expenses in 2017.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB47,730,000 (six months ended 30 June 2017: RMB74,470,000) and the weighted average of 852,974,217 ordinary shares (six months ended 30 June 2017: 826,025,589 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB47,730,000 (six months ended 30 June 2017: RMB74,470,000) and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares of 855,216,934 ordinary shares (six months ended 30 June 2017: 826,141,611 ordinary shares).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of RMB19,364,000 in total (six months ended 30 June 2017: RMB10,117,000). Items of property, plant and equipment with a net book value of RMB9,081,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB1,000), resulting in a loss on disposal of RMB1,000 (six months ended 30 June 2017: gain of RMB10,000).

10. GOODWILL

	RMB'000
Cost:	
At 1 January 2017 and 31 December 2017	138,153
Acquisition through business combination	–
At 30 June 2018	138,513
Accumulated impairment losses:	
At 1 January 2017 and 31 December 2017	–
Impairment losses	18,503
At 30 June 2018	18,503
Net book value:	
At 30 June 2018 (unaudited)	119,650
At 31 December 2017 (audited)	138,153

10. GOODWILL (Continued)

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("**CGU**") identified according to operating segment as follows:

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Online games	**119,650**	138,153

As management identified there is an impairment indicator that the carrying value of goodwill may not be recovered from the future cash flows to be generated from the CGU, management performed goodwill impairment testing during the six months ended 30 June 2018.

The recoverable amount of the CGU is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculation are as follows:

	Six months ended 30 June 2018	Year ended 31 December 2017
Pre-tax discount rate	**31.9%**	31.5%
Long-term revenue growth rate	**2.5%**	2.5%
Revenue growth rates over next five years	**3%-19%**	5%-29%

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average revenue growth rate of 2.5% (2017: 2.5%). The growth rate used does not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a pre-tax discount rate of 31.9% (2017: 31.5%). The discount rate used reflects specific risks relating to the relevant business. The revenue growth rates are based on past performance and expectations of market developments.

The estimated recoverable amount of the cash-generating unit was lower than its carrying amount, hence an impairment loss of approximately RMB18,503,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income for the six months period ended 30 June 2018 (2017: Nil).

11. INVENTORIES

	At 30 June 2018 ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
Raw materials	**88,678**	85,617
Work in progress	**460,950**	373,846
Finished goods	**133,828**	194,197
Others	**522**	522
	683,978	654,182

Provisions of RMB8,612,000 (2017: RMB6,269,000) were made against those inventories with net realisable value lower than their carrying value as at 30 June 2018. Except for the above, none of the inventories as at 30 June 2018 was carried at net realisable value (2017: Nil).

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited) (Note)
Trade and bill receivables	**445,702**	469,711
Less: allowance for doubtful debts	**(9,883)**	(462)
	435,819	469,249
Deposits for metal future contracts	**12,550**	12,044
VAT recoverable	**28,389**	27,440
Prepayments	**22,642**	19,495
Others	**1,355**	1,498
	500,755	529,726

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see note 3).

Credit terms granted to customers ranged from 7 to 90 days depending on the customer's relationship with the Group, its creditworthiness and past settlement records.

12. TRADE AND OTHER RECEIVABLES (Continued)

As at 30 June 2018, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis, in the amount of RMB7,237,000 (2017: RMB10,176,000). In the opinion of the Directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivables and the associated trade payables settled, and has recognised the cash received on the transfer as cash advances under discounted bills.

As at 30 June 2018, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 30 June 2018, the Group's maximum exposure to loss and undiscounted cash outflow, which is the same as the amount payable by the Group to banks or suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB5,242,000 (2017: RMB11,676,000).

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bill receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2018 *RMB'000* **(unaudited)**	At 31 December 2017 *RMB'000* (audited) (Note)
Within 3 months	**391,765**	444,176
Over 3 months but less than 6 months	**36,181**	24,981
Over 6 months but less than 1 year	**7,849**	7
Over 1 year	**24**	85
	435,819	469,249

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see note 3).

As at 30 June 2018, the Group's bill receivables with aggregate carrying value of approximately RMB161,963,000 (2017: RMB161,815,000) were pledged to banks for issuance of bank acceptance bills.

13. RESTRICTED BANK DEPOSITS

Restricted bank deposits represented:

	At 30 June 2018 ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
Guarantee deposits for issuance of commercial bills	**62,006**	53,190
Guarantee deposits for bank borrowings	**81,572**	58,818
Guarantee deposits for forward exchange contracts	**5,044**	3,148
Others	**156**	937
	148,778	116,093

14. CONTRACT LIABILITIES

	At 30 June 2018 ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited) (Note)
Included in current liabilities		
Licensing income amortised within one year	**34**	–
Advances received from customers	**25,832**	–
	25,866	–
Included in non-current liabilities		
Licensing income amortised over one year	**576**	–
	26,442	–

Note: As a result of the adoption of IFRS 15, advances received from customers included in trade and other payables and deferred income-others is included in contract liabilities (see note 3(c)).

15. TRADE AND OTHER PAYABLES

	At 30 June 2018 ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited) (Note)
Trade and bills payable	**642,807**	500,492
Advances received from customers	**–**	24,424
Staff benefits payable	**13,499**	24,588
Payables for purchase of property, plant and equipment	**30,292**	34,484
Contingent share consideration payable	**16,691**	17,950
Accrued expenses and others	**10,784**	13,361
	714,073	615,299

Note: As a result of the adoption of IFRS 15, advances received from customers is included in contract liabilities (see note 3(c)).

As of the end of the reporting period, the ageing analysis of trade and bills payable (which are included in trade and other payables), based on the invoice date or issuing date, is as follows:

	At 30 June 2018 ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
Within 3 months	**622,421**	457,527
Over 3 months but within 6 months	**2,128**	23,160
Over 6 months but within 1 year	**16,531**	16,854
Over 1 year	**1,727**	2,951
	642,807	500,492

16. INTEREST-BEARING BORROWINGS

At 30 June 2018, the interest-bearing borrowings were repayable based on scheduled repayment dates set out in the underlying loan agreements as follow:

	At 30 June 2018 *RMB'000* (unaudited)	At 31 December 2017 *RMB'000* (audited)
Current		
Short-term secured bank loans	**422,163**	469,893
Unsecured bank loans	**110,744**	112,413
Bank advances under discounted bills	**42,000**	45,445
	574,907	627,751
Non-current		
Secured bank loans	**161,000**	231,000
	735,907	858,751

16. INTEREST-BEARING BORROWINGS (Continued)

(i) The Group's long-term bank loans were repayable as follows:

	At 30 June 2018 ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
Within 1 year	**–**	–
Over 1 year but less than 2 years	**161,000**	171,000
Over 2 years but less than 5 years	**–**	60,000
	161,000	231,000
	161,000	231,000

(ii) The Group's interest-bearing borrowings in the amount of RMB391,000,000 (2017: RMB420,500,000) are subject to the fulfilment of financial covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. As at and during the period ended 30 June 2018, none of the covenants relating to drawn down facilities were breached.

(iii) The secured bank loans as at 30 June 2018 bore interest at rates ranging from 1% to 5.16% (2017: 2.15% to 7.5%) per annum and were pledged by the following assets:

	At 30 June 2018 ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
Carrying amounts of assets:		
Inventories	**255,670**	255,670
Property, plant and equipment	**613,870**	611,444
Lease prepayments	**12,156**	13,351
Guarantee deposits for bank borrowings	**81,572**	58,818
	963,268	939,283

(iv) The unsecured bank loans as at 30 June 2018 bore interest at rates ranging from 3.35% to 3.41% (2017: 2.21% to 4.35%) per annum.

17. CAPITAL, RESERVE AND DIVIDENDS

(a) Dividends

During the period ended 30 June 2018, no dividend was declared or distributed and the Directors of the Company have determined that no dividend will be paid in respect of the interim period.

(b) Share capital

Authorised

	30 June 2018		31 December 2017	
	Number of shares	***Amount HKD'000***	*Number of shares*	*Amount HKD'000*
	(unaudited)	**(unaudited)**	(audited)	(audited)
Ordinary shares of HKD0.1 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000

Ordinary shares issued and fully paid

	30 June 2018			31 December 2017		
	Number of shares '000	***Amount HKD'000***	***RMB'000 equivalent***	*Number of shares '000*	*Amount HKD'000*	*RMB'000 equivalent*
	(unaudited)	**(unaudited)**	**(unaudited)**	(audited)	(audited)	(audited)
At 1 January	**831,113**	**83,111**	**75,458**	811,116	81,111	73,687
Issued new shares for contingent consideration	**24,446**	**2,445**	**1,959**	19,997	2,000	1,771
At 30 June/31 December	**855,559**	**85,556**	**77,417**	831,113	83,111	75,458

(i) On 16 April 2018, 24,445,556 consideration shares of HKD0.10 par value each were duly alloted and issued to Mobilefun Limited pursuant to the sales and purchase agreement dated on 21 June 2016, with the fair value of HKD0.85 per share. The proceeds of HKD2,445,000 (equivalent to RMB1,959,000) representing the par value, were credited to the Company's share capital. The excess of proceeds totalling HKD18,334,000 (equivalent to RMB14,687,000) over the par value of ordinary shares issued were credited to reserves.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2018	Fair value measurements as at 30 June 2018 categorised into		
		Level 1	Level 2	Level 3
	RMB'000 (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Assets:				
Derivative financial instruments:				
– Future contracts	**2,979**	**2,979**	**–**	**–**
Liabilities:				
Derivative financial instruments:				
– Future contracts	**(883)**	**(883)**	**–**	**–**
– Foreign exchange forward contracts	**(94)**	**(94)**	**–**	**–**
Contingent share consideration payable	**(16,691)**	**–**	**–**	**(16,691)**

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	Level 2	Level 3
	RMB'000 (audited)	*RMB'000* (audited)	*RMB'000* (audited)	*RMB'000* (audited)
Assets:				
Derivative financial instruments:				
– Future contracts	1,765	1,765	–	–
Liabilities:				
Derivative financial instruments:				
– Future contracts	(4,752)	(4,752)	–	–
– Foreign exchange forward contracts	(6,855)	(6,855)	–	–
Contingent share consideration payable				
– Current	(17,950)	–	–	(17,950)
– Non-current	(23,704)	–	–	(23,704)

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair values of financial assets and liabilities carried at other than fair value

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

19. SHARE AWARD SCHEME

On 18 April 2016 (the "**Adoption Date**"), the Company adopted a share award scheme (the "**Share Award Scheme**"), which does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, to recognise and reward the contribution of eligible employees to the growth and development of the Group through an award of the Company's shares.

The Company has appointed a trustee for administration of the Share Award Scheme (the "**Trustee**"). The principal activity of the Trustee is administrating and holding the Company's shares for the Share Award Scheme for the benefit of the Company's eligible employees. Pursuant to the Share Award Scheme, the Company's shares will be purchased by the Trustee in the market out of cash contributed by the Company and held in the Trust for relevant employees until such shares are vested in the relevant beneficiary in accordance with the provisions of the Share Award Scheme at no cost. The total number of the Company's shares held by the Trustee at any given time under the Share Award Scheme will not exceed 20% of the total issued shares of the Company as of the Adoption Date of the Scheme.

As at 30 June 2018, the Trustee had purchased 8,688,000 shares (31 December 2017: 8,137,000 shares) of the Company at a total cost (including related transaction costs) of RMB6,525,000 (31 December 2017: RMB6,124,000).

According to the Resolution of the Administration Committee on 26 May 2017, 1,000,000 ordinary shares held under the Share Award Scheme were granted to an employee of the Group which will vest within three years. The grant date fair value of HKD0.7 per share (equivalent to approximately RMB0.62 per share) is determined by reference to the closing price of the Company's ordinary shares on 26 May 2017. 400,000 and 300,000 awarded shares were vested and transferred to the grantee during the six months period ended 30 June 2017 and 2018, respectively.

According to the Resolution of the Board of the Company on 13 December 2017, 10,060,000 ordinary shares held under the Share Award Scheme were granted to 9 directors and 91 employees of the Group at nil consideration, with 5,280,000 shares, 2,152,000 shares and 2,628,000 shares to be vested on 13 December 2017, 13 December 2018 and 13 December 2019, respectively. The vesting conditions are only subject to the service conditions. The grant date fair value of HKD0.85 per share (equivalent to approximately RMB0.72 per share) was determined with reference to the closing price of the Company's ordinary shares on 13 December 2017. 5,280,000 awarded shares were vested on 13 December 2017 among which 2,900,000 awarded shares were transferred to the grantees during the six months period ended 30 June 2018.

19. SHARE AWARD SCHEME (Continued)

(i) Details of the shares held under the Share Award Scheme are set out below:

	2018 Average purchase price *HK$*	2018 No. of shares held	2018 Value *RMB'000*	2017 Average purchase price *HK$*	2017 No. of shares held	2017 Value *RMB'000*
At 1 January	**0.86**	**7,737,000**	**5,817**	0.92	4,021,000	3,256
Shares purchased during the period/year	**1.00**	**551,000**	**401**	0.80	4,116,000	2,868
Shares vested and transferred to employees during the period/year	**–**	**(300,000)**	**(225)**	–	(400,000)	(307)
Shares vested during the previous year and transferred to employees during the period/year	**–**	**(2,900,000)**	**(2,180)**	–	–	–
At 30 June/31 December	**0.84**	**5,088,000**	**3,813**	0.86	7,737,000	5,817

20. CAPITAL COMMITMENTS

Capital commitments in respect of acquisition of property, plant and equipment at the end of reporting period not provided for in the interim financial report were as follows:

	At 30 June 2018 ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
Contracted for	**28,280**	3,526
	28,280	3,526

21. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals in respect of staff dormitory and office building were payable as follows:

	At 30 June 2018 ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
Less than 1 year	**493**	1,117
Over 1 year but less than 5 years	**4**	106
	497	1,223

22. KEY MANAGEMENT PERSONNEL REMUNERATIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors of the Group. The key management personnel remunerations are as follows:

	Six months ended 30 June	
	2018 ***RMB'000*** **(unaudited)**	2017 *RMB'000* (unaudited)
Short-term benefits	**2,301**	1,860
Equity-settled share-based payment	**592**	–
Post-employment benefits	**12**	13
	2,905	1,873

Management Discussion and Analysis

OVERALL BUSINESS REVIEW

During the interim period of 2018, the Group's revenue amounted to RMB2,557.3 million, representing an increase of 27.8% over the corresponding period of last year, mainly due to the increase in sales volume of the copper plates and strips business and copper price. The Group's profit attributable to the shareholders decreased by 36.0% from RMB74.5 million in the first half of 2017 to RMB47.7 million, mainly due to the following facts: (1) a decrease in gross margin of copper processing business due to an increase in raw material costs. The import restriction on waste copper has caused the Group to reduce the proportion of waste copper during the production process, and thus increasing cost of sales; (2) an impairment loss on goodwill related to the acquisition of 100% interest in Funnytime Limited ("**Funnytime**") in August 2016 as disclosed in the announcement dated 21 June 2016. Such impairment loss is primarily attributable to the fact that Funnytime's financial performance is less than expected for the first six months of 2018 and it is likely that Funnytime will not meet the performance target of net profit of RMB30 million for year 2018. During the first six months of 2018, the revenue growth of the operation of web games is lower than forecasted, and net profit of Funnytime is also lower than the first six months ended 30 June 2017. Therefore, an impairment of goodwill of RMB18.5 million is recorded for the six months ended 30 June 2018; (3) a net loss on foreign exchange of RMB11.5 million due to the depreciation of RMB.

Online Game Business

Market and industry review

According to the "2018 January to June China Game Industry Report" (the "**Report**"), from January to June 2018, the actual sales revenue of the PRC's game market is RMB105.0 billion, up by 5.2% year-on-year, but the overall growth rate slowed down. The actual sales revenue of web game market is RMB7.3 billion, accounting for 6.9%, down 14.6% year-on-year, representing a further decrease in proportion of the total game market size. The reasons for the rapid decline in web game market are that web games are slow in iteration of products, and are characterized in homogeneity, and more players have switched to mobile games. According to the Report, from January to June 2018, the actual sales revenue of the mobile game market amounted to RMB63.4 billion, accounting for 60.4%, up by 12.9% year-on-year, representing a slowdown in growth.

As the competition in the domestic game market is becoming increasingly fierce, the introduction of differentiated products and enhancement of gameplay innovation, product diversification and independent operation of game products, etc. will become the major growth strategies for game companies.

Business review

Operation Center

In 2018, as the game industry grows rapidly, Hefei Zhangyue Network Technology Co., Ltd. (合肥掌悦網絡科技有限公司) ("**Zhangyue**"), a subsidiary of the Group's online game business, continued to maintain a sound development in its traditional web game business. Revenue from multiple game products including the Art of War and Three Kingdoms (《兵法三國》) was steady. Ambition of Three Kingdoms 2 (《三國之志2》), a new online web game, was widely promoted by Tencent after it was launched and received good feedbacks from players. In the second half of 2018, multiple products including Time Immemorial Legend (《太古傳奇》) are expected to be online, ensuring the continuous upward trend of web game. In addition, Zhangyue has been actively establishing the layout of H5 game business with multiple products including the Miraculous Three Kingdoms (《神奇三國》) and Scions of Fate H5 (《熱血江湖H5》) available online. In the second half of the year, Zhangyue will enhance its presence in the sector of H5 game, among which, Interesting Hospital (《萌趣醫院》), a WeChat Mini Game is expected to be launched on WeChat Mini Game platform in September 2018. The "mini game ecology" built by WeChat Mini Game platform taking advantage of WeChat social circle has been well recognized in the game industry. Both active user volume and game retention rate demonstrate the great advantages of WeChat Mini Game.

At the same time, in order to accumulate players and lay a solid foundation for the Company's long-term development, Zhangyue launched the H5PK delivery platform and a game box for H5 games will be launched in the second half of the year to further promote the rapid growth of H5 business. However, in the first half of 2018, due to the impact of relevant state policies, the scheduling of some games was affected, and the launch time was delayed, resulting in lower revenue growth rate of the game operation business than forecasted, which caused impairment losses on goodwill related to the Group's acquisition of Funnytime.

R&D Center

In the first half of 2018, Zhangyue adjusted its research and development ("**R&D**") strategies, switching fully from traditional web game R&D to H5 game and mobile game R&D. Self-developed mythical heroes-themed H5 games and a mythical heroes-themed mobile game will be launched in 2018. Due to staff reorganization of the R&D center in the first half of 2018, the progress of some games in development was behind schedule.

Financial Performance

In the first half of 2018, Funnytime alone, the Group's games business, realized a total revenue of RMB16.4 million, a net profit of RMB3.9 million, and an adjusted net profit (as defined in the Sale and Purchase Agreement) of RMB4.1 million, representing an increase of 18.0%, a decrease of 17.0%, and a decrease of 22.6% respectively, as compared with the same period of 2017. The decreasing in net profit is mainly due to the impairment losses for trade receivables of RMB3.6 million relating to the game developing business for third parties.

Outlook

As the game industry grows, Zhangyue is also going through active transformation to adapt to new industry trends, and actively deploys H5 games and mobile games from R&D to operation, so as to make breakthroughs and progress. In the first half of 2018, Zhangyue also entered into contracts with a number of IP products, covering animation, quadratic element, martial arts and other fields. Through the cooperation with these products, we hope to develop diversified product mix in the next one or two years and boost core, hit products, so as to make Zhangyue more competitive in the game industry.

Copper Processing Business

Market and industry review

In the first half of 2018, synchronous global economy recovery remained, but the momentum of expansion slowed down compared to 2017. The momentum of economy recovery in the Eurozone is less than expected due to the effect of extreme weather, strong Euro currency and many other factors. This is the main cause for the downturn of the global manufacturing industries. The U.S. economy has enjoyed a continued sound recovery. Considering the continued improved employment markets and expansionary fiscal stimulus plans in the United States ("**U.S.**"), the U.S. economy is expected to maintain a strong momentum in the second half of 2018. In the context of greater trade frictions between PRC and the United States, PRC's economy is facing certain downturn pressure. However, PRC's economy also showed its strong tenaciousness. It is expected that in the second half of 2018, PRC's economy will continue to strengthen deleveraging. Meanwhile, PRC will implement active fiscal policy and sound monetary policy to ensure stable operation of its macro-economy.

In the first half of 2018, the global copper demands kept a relatively mild growth overall, mainly driven by PRC's state grid orders and a year-on-year increase in the demand of air conditioners. However, grid orders and demand for air conditioners normally fluctuate significantly. Thus, in the second half of 2018, there is a relatively great uncertainty in copper demands. In addition, the trade wars initiated by the U.S. is hurting the market's expectation of the copper demand for infrastructure construction in the U.S.. Whether such war would finally break out or not, the short-term expectation of the copper demand for infrastructure construction in the U.S. would decline.

During the reporting period, affected by the above factors, the copper price presented a momentum of a downturn from high price positions. In early June, the copper price at London Metal Exchange ("**LME**") topped over US$7,300/t. Afterwards, it kept declining. However, in the first half of 2018, the average copper price still increased by approximately 10% as compared to the corresponding period of 2017. We expect that in the second half of 2018, benefited from increased copper demands in PRC's state grid industry and for the copper usage in new energy vehicles, the copper price will rise slightly while keeping steady after a period of fluctuations.

Business review

For the first half of 2018, the Group's copper plates and strips realized an total output of 65,054 tons and total sales volume of 65,548 tons. In the first half of the year, sales revenue of the Group's copper plates and strips business achieved RMB2,540.9 million, representing an increase of 27.8% as compared to that of the corresponding period of 2017, among which, revenue from the sale of copper products amounted to RMB2,240.4 million, revenue from provision of processing services amounted to RMB89.9 million and revenue of trading amounted to RMB210.6 million, representing an increase of 26.9%, a decrease of 9.0% and an increase of 70.7% as compared to the corresponding period of last year, respectively. In the first half of the year, the copper business realized an operating profit before taxation (profit before taxation excluding the change in fair value of the contingent consideration payable) of RMB64.4 million, which decreased by 15.3% as compared to that of the corresponding period of last year, mainly due to the effect of the restriction policies of Chinese Government on imports of "seven types of waste copper". The proportion of waste copper used by the Company in the production process decreases, resulting in the increase in the raw material costs, which reduces the gross profit of copper processing business. In addition, there was a net foreign exchange loss of RMB11.5 million generated from copper processing business due to the depreciation of RMB.

Business development

2018 is a crucial year for the Group's transformation and upgrade. The Group's work guideline is to "adjust product structure, increase efficiency, reduce cost and seek for development". Based on such work guideline, the Group carried out the following measures:

The Group is adjusting its product structure, and actively increasing the proportion of high value-added products and expanding market share for high value-added products, and thus enforces the Group's competitiveness. As of 30 June 2018, the Group has increased the percentage of the high value-added products to approximately 25% from 22% at the beginning of the year.

The Group set up a special task team to keep improving the manufacturing processes, together with technological transformation, to improve the product quality and the yield rate of qualified products.

The Group implemented "Go Out" strategy, actively expanded raw material supply channels and established a stable supply system. In the context of restricted import of waste copper, the Group strived to purchase raw materials at relatively low price with good quality so as to achieve its goal of lowering production cost to the maximum extent.

The Group put more emphasis on its marketing functions, getting more close to the markets and its customers. The Group studied on the product development trends and understood the demands of the customers, focused on developing market-oriented and high value-added products, promoting an innovative environment so as to remain viable.

Outlook

In the second half of 2018, the Group will continue to follow the above work guideline to carry out its copper processing business to strive to realize transformation and upgrade as soon as possible.

FINANCIAL REVIEW

Revenue and gross profit

The Group recorded total sales revenue of RMB2,557.3 million in the reporting period, which increased by 27.8% as compared with that of the corresponding period of last year. The increase in sales revenue of the Group's copper business was mainly due to an increase in sales volume of copper products and copper price.

The Group's copper business achieved a total revenue of RMB2,540.9 million for the six months ended 30 June 2018, representing an increase of 27.8% compared to RMB1,987.9 million of the corresponding period in 2017. Revenue generated from the sales of high precision copper plates and strips, provision of processing services and trading of raw materials amounted to RMB2,240.4 million, RMB89.9 million and RMB210.6 million respectively (for the six months ended 30 June 2017: RMB1,765.7 million, RMB98.8 million and RMB123.4 million respectively). For the six months ended 30 June 2018, 88.2%, 3.5% and 8.3% of total revenue was derived from the sales of high precision copper plates and strips, provision of processing services and trading of raw materials respectively (for the six months ended 30 June 2017: 88.8%, 5.0% and 6.2% respectively). The sales volume of high precision copper plates and strips, provision of processing services and trading of raw material were 47,701 tons, 17,847 tons and 5,761 tons respectively, making 66.9%, 25.0% and 8.1% of the total.

The Group's online gaming business achieved revenue of RMB16.4 million for the six months ended 30 June 2018, representing 0.6% of the total revenue (for the six months ended 30 June 2017: RMB13.9 million).

The overall gross margin of the Group's copper business for the period under review decreased to 7.2% from 11.2% of the corresponding period in 2017, which was mainly due to an increase in raw material costs.

Other income

During the six months ended 30 June 2018, the Group's other income amounted to RMB16.2 million in total, representing an increase of 60.4% compared to RMB10.1 million of the corresponding period of last year, which was mainly attributable to an increase of gain on metal future contracts of RMB9.5 million.

Other expenses

For the six months ended 30 June 2018, the Group recorded RMB23.4 million in other expenses, while recording other expenses of RMB0.4 million for the corresponding period of last year. Such increase was mainly due to the impairment loss on goodwill of RMB18.5 million related to the acquisition of 100% interest in Funnytime in August 2016.

Distribution expenses

For the six months ended 30 June 2018, the ratio of distribution expenses to revenue decreased to 0.93% as compared to 1.25% of the corresponding period of last year. This is mainly because the revenue increased, but distribution expenses kept steady.

Administrative expenses

For the six months ended 30 June 2018, the Group's administrative expenses decreased by 19.1% to RMB93.3 million from RMB115.3 million in the same period of last year, which was attributable to a decrease in research and development expenses by RMB28.7 million to RMB46.1 million from RMB74.8 million of the corresponding period of last year.

Net finance costs

The Group's net finance costs for the six months ended 30 June 2018 amounted to RMB13.4 million, representing an increase of RMB7.5 million compared to that of RMB5.9 million of the corresponding period of last year, which was mainly due to the net foreign exchange loss of RMB11.5 million for the six months ended 30 June 2018.

Income tax

For the six months ended 30 June 2018, the Group's income tax expenses was RMB7.6 million (corresponding period of last year: RMB20.3 million). The Group's consolidated effective tax rate for the six months ended 30 June 2018 was 14% (six months ended 30 June 2017: 21%). The decrease in the effective tax rate was mainly due to the Group's two major subsidiaries received tax refund during the 2017 annual tax filing process in April and May 2018 in respect of overpayment of 2017 income tax as they were entitled to 50% additional deduction for qualified research and development expenses in 2017.

Profit attributable to the shareholders of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2018 amounted to RMB47.7 million, representing a decrease of RMB26.8 million compared to RMB74.5 million of the corresponding period of last year. The decrease is mainly due to the impairment loss on goodwill of RMB18.5 million related to the acquisition of 100% interest in Funnytime in August 2016.

Liquidity financial resources and capital structure

As at 30 June 2018, the Group recorded net current assets of RMB188.2 million, which was primarily because the Group having less short-term bank borrowings.

As a percentage of total interest-bearing borrowings, the short-term interest-bearing borrowings represented 78.1% as at 30 June 2018. As at the date of this announcement, the Group had not experienced any difficulty in raising funds by securing and rolling over the short-term loans borrowed from various banks in the PRC, which were renewed on an annual basis in accordance with local market practice.

The Group is able to generate cash from operating activities, has good credit standing and relationships with principal lending banks and possesses available undrawn banking facilities of RMB684.0 million that will not expire within 12 months from 30 June 2018 (including long term loan facilities amounted to RMB77.6 million effective until 2020) and cash at banks of RMB330.6 million (comprised of restricted bank deposits of RMB148.8 million, bank deposits with maturity over three months of RMB10.1 million and cash and cash equivalents of RMB171.7 million) respectively. Based on the previous experience and the Group's relationships with its principal lending banks, the Board believes that the Group can roll over the existing short-term bank borrowings upon maturity in the coming year. The Board is confident that the Group has adequate financial resources to sustain its working capital requirement and meet its foreseeable debt repayment requirements.

As at 30 June 2018, the Group had outstanding bank loans and other borrowings of approximately RMB574.9 million, which shall be repaid within 1 year. As at 30 June 2018, 79.2% of the Group's debts was on secured basis.

The gearing ratio as at 30 June 2018 was 34.5% (31 December 2017: 40.6%), which is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity attributable to shareholders of the Company as shown in the consolidated statement of financial position plus net debt.

Charge on assets

As at 30 June 2018, the Group pledged assets with an aggregate carrying value of approximately RMB963.3 million (31 December 2017: RMB939.3 million) to secure bank loans and facilities of the Group.

Capital expenditure

For the six months ended 30 June 2018, the Group has invested approximately RMB30.4 million for purchase of property, plant and equipment. These capital expenditures were financed by bank borrowings.

Capital commitments

As at 30 June 2018, the Group had contracted but not provided for future capital expenditures amounting to RMB28.3 million.

Contingent liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities.

MARKET RISK

The Group is exposed to various types of market risks, including price risk, interest rate risk and foreign exchange risk.

Price risk

The Group is exposed to raw material price fluctuations. Cathode copper, alloy trimmings, zinc, tin, nickel and other metals are the principal raw materials used in the production of the Group's products. The Group had made such purchases at market prices. In addition, sales of all products of the Group were according to market price, which might fluctuate and were beyond our control. Therefore, fluctuations in the prices of raw materials may have an adverse effect on the results of the Group's operations.

The Group uses its copper futures contracts in Shanghai Futures Exchange and London Metal Exchange to hedge against fluctuations in copper price. The Group recorded a gain on futures contracts of approximately RMB11.0 million for the six months ended 30 June 2018, which was approximately RMB1.5 million in the corresponding period of last year.

Interest rate risk

In addition to short-term deposits, the Group has no significant interest-bearing assets. Therefore, the Group's income and operating cash flows are, to a large extent, independent of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to fluctuations in interest rates on bank borrowings. The Group's exposure to debt is used for general corporate purposes, including capital expenditures and working capital needs. The Group's bank borrowings bear interest rates that are subject to adjustment by lenders in accordance with changes of the relevant regulations of the People's Bank of China ("**PBOC**"). The Group's financing costs will increase when the PBOC raises interest rates. Fluctuations in interest rates will affect the cost of undertaking new debts. The Group had not entered any interest rate swap to hedge against exposure to interest rate risk.

Foreign exchange risk

The Group's export sales and certain part of the purchase of raw materials were denominated in foreign currencies, primarily U.S. dollars. Therefore, fluctuations in the exchange rate may have an impact on the Group's operating results. The Group has entered into foreign exchange forward contracts with local banks to hedge against foreign exchange rate risk. For the reporting period, the Group had recorded a net foreign exchange loss of RMB11.5 million while recording a net gain of RMB3.0 million for the corresponding period in 2017.

EMPLOYEES

As at 30 June 2018, the total number of the Group's employees was 1,282 (31 December 2017: 1,240). Remuneration policies are reviewed periodically to ensure that the Group is offering competitive employment packages to our employees. The employees' benefits include salaries, pensions, medical insurance scheme and other applicable social insurance. Promotion and salary increments are assessed in accordance with performance. The Group's business growth depends on its employees' skills and contributions. The Group believes in the important position of human resources in a highly competitive industry and has devoted resources for training its employees. Besides, share options may be granted and shares may be awarded to eligible employees of the Group respectively in accordance with the terms of share option scheme adopted by the Company and share award scheme adopted by the Board. The Group has established an annual training program for our new employees so that the new employees can master the basic skills required to perform their duties, and existing employees can enhance or upgrade their skills.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the directors ("**Directors**") and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**"), which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

Interest in Long Position in Shares of HK$0.10 each and Underlying Shares of the Company

Name of Directors	Capacity/Nature of Interest	Number of Shares held	Number of Underlying Shares held	Approximate percentage of shareholding (Note 1)
HU Changyuan	Founder of a discretionary trust/ other Interest	265,200,000 (Note 2)	–	31.00%
	Beneficial owner/personal Interest	300,000	200,000 (Note 4)	0.06%
HU Minglie	Beneficial owner/personal Interest	2,345,000	1,000,000 (Note 4)	0.39%
REN Hao	Interest of a controlled corporation/ corporate interest	44,442,223 (Note 3)	33,335,555 (Note 3)	9.09%
	Beneficial owner/personal Interest	300,000	200,000 (Note 4)	0.06%
CHEN Jianhua	Beneficial owner/personal Interest	1,780,000	200,000 (Note 4)	0.23%
CHAI Chaoming	Beneficial owner/personal Interest	234,000	100,000 (Note 4)	0.04%
LU Hong	Beneficial owner/personal Interest	300,000	100,000 (Note 4)	0.05%
ZHU Wenjun	Beneficial owner/personal interest	300,000	200,000 (Note 4)	0.06%
DAI Jianchun	Beneficial owner/personal interest	100,000	100,000 (Note 4)	0.023%
LOU Dong	Beneficial owner/personal interest	100,000	100,000 (Note 4)	0.023%

Notes:

1. The percentages are calculated based on the total issued shares of 855,558,173 as at 30 June 2018.

2. These 265,200,000 shares were held by Luckie Strike Limited and Come Fortune International Limited which were wholly owned by Dynamic Empire Holdings Limited as at 30 June 2018. The entire issued share capital of Dynamic Empire Holdings Limited was beneficially owned by the Hu Family Trust which was founded by Mr. HU Changyuan. Mr. HU was deemed to be interested in these shares by virtue of the SFO.

3. These 44,442,223 shares and 33,335,555 underlying shares are held by Mobilefun Limited ("**Mobilefun**") which in turn is 42% controlled by Mr. Ren Hao as at 30 June 2018. Accordingly, Mr. Ren Hao is deemed to have interest in 44,442,223 shares and 33,335,555 underlying shares of the Company held by Mobilefun under the SFO. Details of these underlying shares held by Mobilefun are set out in the section hereinafter headed "Substantial Shareholders" in this report.

4. These underlying shares held by Directors are award shares granted to the Directors under the Share Award Scheme on 13 December 2017. The first tranch was vested on 13 December 2017, and the rest will be vested on 13 December 2018 and 13 December 2019 respectively. Details of the said grant are set out in the announcement of the Company dated 13 December 2017 and the movement of award shares is set out in note 19 to the financial statements.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company held or was deemed to hold any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (as defined in the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were required to be recorded in the register required to be kept pursuant to section 352 of the SFO, or is otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS FOR ACQUISITION OF SHARES OR DEBENTURES

Other than disclosed in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" below, at no time during the period under review were the Company or its subsidiaries parties to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 1 December 2007 (the "**2007 Share Option Scheme**") which was terminated by shareholders at the extraordinary general meeting of the Company held on 27 May 2016. No further options should thereafter be granted under the 2007 Share Option Scheme. Details of 2007 Share Option Scheme were set out in the published annual report of the Company for the year ended 31 December 2015.

A new share option scheme had been adopted by shareholders at the extraordinary general meeting of the Company held on 27 May 2016 (the "**2016 Share Option Scheme**").

The principal terms of the 2016 Share Option Scheme were set out in the published annual report of the Company for the year ended 31 December 2017.

During the period under review, no options were granted, exercised, lapsed, cancelled or outstanding under the 2016 Share Option Scheme.

SHARE AWARD SCHEME

As announced by the Company on 18 April 2016, the Board resolved to adopt a share award scheme (the "**Share Award Scheme**") in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purpose of the Scheme is to permit the Company to grant Awards to Selected Employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. The maximum number of shares that may be awarded under the Share Award Scheme during its term is limited to 20% of the total issued shares of the Company as at the Adoption Date. The maximum number of Awarded Shares that may be granted to any one Selected Employee shall not exceed 5% of the total issued shares of the Company as at the Adoption Date. Pursuant to the Share Award Scheme, shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Stock Exchange, by the trustee at the cost of the Company and will be held by the Trustee on trust for Selected Employee(s) under the Share Award Scheme before vesting. The Share Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company.

As announced by the Company on 5 May 2016, the maximum number of new shares to be issued by the Company in respect of any financial year of the Company for satisfying the Awarded Shares granted under the Share Award Scheme will be limited to 2% (i.e. 16,222,319 shares) of the total issued shares of the Company as at the Adoption Date. The maximum number of new shares to be issued by the Company in respect of any 12-month period for satisfying the Awarded Shares granted to any one Selected Employee under the Share Award Scheme will not exceed 1% (i.e. 8,111,159 shares) of the total issued shares of the Company as at the Adoption Date.

Since the Adoption Date and up to 30 June 2018, no new shares had been subscribed by the Trustee and a total of 8,688,000 shares of the Company were acquired by the Trustee pursuant to the rules and deed of settlement of the Share Award Scheme at a total cost (including related transaction costs) of RMB6,525,000.

According to the Resolution of the Administration Committee on 26 May 2017, 1,000,000 shares held under the Share Award Scheme were granted to an employee of the Group which will vest within three years. The fair value on grant date represented HKD0.7 per share (equivalent to approximately RMB0.62 per share) which was determined by reference to the closing price of the Company's shares on 26 May 2017. 400,000 and 300,000 Awarded Shares were vested and transferred to the grantee during the six months period ended 30 June 2017 and 2018, respectively.

According to the Resolution of the Board of the Company on 13 December 2017, 10,060,000 shares held under the Share Award Scheme were granted to 9 directors and 91 employees of the Group at nil consideration, with 5,280,000 shares, 2,152,000 shares and 2,628,000 shares to be vested on 13 December 2017, 13 December 2018 and 13 December 2019, respectively. The vesting conditions are only subject to the service conditions. The grant date fair value of HKD0.85 per share (equivalent to approximately RMB0.72 per share) was determined with reference to the closing price of the Company's shares on 13 December 2017. 5,280,000 awarded shares were vested on 13 December 2017 among which 2,900,000 awarded shares were transferred to the grantees during the six months period ended 30 June 2018.

Unless otherwise defined in this section, the capitalized terms used in this section shall have the same meanings as those defined in the announcements made by the Company on 18 April 2016 and 5 May 2016 relating to the Share Award Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, the following persons or corporations (other than the directors' interests disclosed in the section headed "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debenture") had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Number of Underlying Shares	Approximate percentage of shareholding (Note 1)
Luckie Strike Limited	Beneficial owner/Beneficial interest	110,000,000 (L)	–	12.86%
Come Fortune International Limited	Beneficial owner/Beneficial interest	155,200,000 (L)	–	18.14%
Dynamic Empire Holdings Limited (Note 2)	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	31.00%
Nomura Holdings Inc. (Note 2)	Custodian (other than an exempt custodian interest/other interest)	265,200,000 (L)	–	31.00%
Zedra Trust Company (Singapore) Limited (Note 2)	Trustee (other than a bare trustee)/Other Interest	265,200,000 (L)	–	31.00%
Zedra Malta Limited (Note 3)	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	31.00%
Zedra Holding SA (Note 3)	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	31.00%
Zedra SA (Note 3)	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	31.00%
Yu Yuesu (Note 4)	Interest of spouse/Family interest	265,500,000 (L)	200,000	31.06%
bostone Group Limited (Note 5)	Beneficial owner/Beneficial interest	68,466,000 (L)	–	8.00%
Xie Shicai (Note 5)	Interest of a controlled corporation/Corporate interest	68,466,000 (L)	–	8.00%
Ma Jiafeng (Note 5)	Interest of a controlled corporation/Corporate interest	68,466,000 (L)	–	8.00%
Mobilefun Limited (Note 6)	Beneficial owner/Beneficial interest	44,442,223 (L)	33,335,555 (L)	9.09%

The letter "S" denotes a short position in the share

The letter "L" denotes a long position in the share

Notes:

1. The percentages are calculated based on the total issued shares of 855,558,173 as at 30 June 2018.

2. The shares were held by Luckie Strike Limited and Come Fortune International Limited which were wholly owned by Dynamic Empire Holdings Limited. The entire issued share capital of Dynamic Empire Holdings Limited was beneficially owned by the Hu Family Trust, the trustee of which was Zedra Trust Company (Singapore) Limited. Dynamic Empire Holdings Limited was deemed to be interested in all the shares in which each of Luckie Strike Limited and Come Fortune International Limited was interested by virtue of the SFO. Zedra Trust Company (Singapore) Limited was deemed to be interested in all the shares in which Dynamic Empire Holdings Limited was interested by virtue of the SFO. The shares registered in the name of Luckie Strike Limited and Come Fortune International Limited were also disclosed as the interest of Mr. HU Changyuan in the section headed "Directors' and chief executive's interests in shares, underlying shares and debentures" above.

   The custodian of these 265,200,000 shares was Nomura Singapore Limited. Nomura Holdings Inc., through its 100% controlled corporation was interested in these shares which were deemed to be interested by Nomura Singapore Limited as custodian. Nomura Singapore Limited was indirectly wholly-owned by Nomura Holdings Inc.

3. Zedra SA, through its 100% controlled corporations (including Zedra Holding SA and Zedra Malta Limited), was interested in 265,200,000 shares which were deemed to be interested by Zedra Trust Company (Singapore) Limited as trustee. Zedra Trust Company (Singapore) Limited was indirectly wholly owned by Zedra SA. Each of Zedra SA, Zedra Holding SA and Zedra Malta Limited was deemed to be interested in all the shares in which Zedra Trust Company (Singapore) Limited were deemed to be interested by virtue of the SFO.

4. Ms. YU Yuesu was deemed to be interested in these shares and underlying shares under the SFO by virtue of being the spouse of Mr. HU Changyuan. The underlying shares represent the awarded shares granted to Mr. Hu Changyuan under the Share Award Scheme.

5. bostone Group Limited is beneficially owned by Ms. Ma Jiafeng and Mr. Xie Shicai. Ms. Ma Jiafeng owns 65.67% of the entire issued capital of bostone Group Limited, and Ms. Xie Shicai owns the rest 34.33% equity. Both Ms. Ma Jiafeng and Mr. Xie Shicai were deemed to be interested in the Shares held by bostone Group Limited by virtue of the SFO. To the best knowledge of Directors, Mr. Xie Shicai is the ultimate controlling shareholder of Ningbo Boway Alloy Material Company Limited, a listed company in Shanghai Stock Exchange (Stock Code: 601137.SH). Ms. Ma Jiafeng is the spouse of Mr. Xie Shicai. Ningbo Boway Alloy Materials Company Limited manufactures and sells high-performance, high-precision, non-ferrous alloy bars, wires and plate-strips, and is a direct competitor of the Group's copper processing business.

6. Pursuant to the sale and purchase agreement dated 21 June 2016 entered into between a subsidiary of the Company, Mobilefun Limited ("**Mobilefun**"), Mr. Ren Hao, an executive Director, and others in relation to the acquisition of entire share capital in Funnytime Limited (the "**Acquisition**") involving the issue of 77,777,778 consideration shares. The Acquisition had been completed on 5 August 2016 and the 77,777,778 potential shares which will be issuable to Mobilefun in accordance with the schedule set out in the announcement of the Company dated 21 June 2016 (the "**Schedule**"). Details of the Acquisition and the said consideration shares are set out in the announcements of the Company dated 21 June 2016 and 5 August 2016. 19,996,667 and 24,445,556 consideration shares were duly alloted and issued to Mobilefun on 18 April 2017 and 16 April 2018, respectively. The remaining 33,335,555 potential shares will be issuable to Mobilefun pursuant to the Schedule. The shares and underlying shares held by Mobilefun were also disclosed as the interest of Mr. Ren Hao in the section headed "Directors' and chief executive's interests in shares, underlying shares and debentures" above.

Save as disclosed herein, as at 30 June 2018, so far as the Directors are aware, there were no other person, other than the Directors and chief executive of the Company as disclosed above, who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Other Information

AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the interim results and the interim report for the period under review prepared in accordance with relevant accounting standards.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the period under review.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and deed of settlement of the Share Award Scheme, purchased on the Stock Exchange a total of 551,000 shares of the Company at an aggregate consideration of about RMB401,000.

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

To the best of the directors' knowledge, there is no change of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the disclosure made in the annual report of the Company for the year ended 31 December 2017 up to the date of this interim report.

By Order of the Board
Huan Yue Interactive Holdings Limited
HU Minglie
Chief Executive Officer and Executive Director

Hong Kong, 28 August 2018