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

2019

Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HU Changyuan *(Chairman)*
Mr. HU Minglie *(Chief Executive Officer)*
Mr. REN Hao (resigned on 23 September 2019)
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 (ceased on 23 September 2019)

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
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

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 (Copper Business)

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

PRC (Online Game Business)

No. 8, Yuehai Road
Shenzhen
Guangdong Province
518066, 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 54, 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

CHAIRMAN'S STATEMENT

On behalf of the board of directors, I am pleased to present the annual report of Huan Yue Interactive Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019.

In 2019, the Group continued to firmly promote the development concept of "management improvement, product innovation". With the efforts of all employees, the copper processing business has weathered the severe challenges from economic downturn and shrinking demand. The Group's internal cost reduction plan has achieved remarkable results, and the market share of high value-added copper plates and strips products has steadily increased. The Group is becoming an important participant in the import substitution of high-precision copper plates and strips products in China's electronic communication industry, gaining new momentum for our product business growth.

In 2019, the global economy experienced sluggish growth. The domestic demand growth in major economies slowed down, trade frictions may exist for a long time, and the leverage level of macro and micro economic sectors is still rising. The Chinese government has devoted greater efforts to promote industrial transformation and upgrading, actively cultivated new growth areas of consumption, and increased the scale of new infrastructure investment, with a view to enter a stage of high-quality development that realises stable growth, deleveraging and risk reduction. During the reporting period, the prices of non-ferrous metals remained relatively stable, the processing fees for copper concentrates continued to decline, and the demand for non-ferrous metals underperformed. It is expected that the prices of non-ferrous metals will still have some space to fall in the future.

In 2019, China's copper processing industry still suffered overcapacity. Driven by supply-side structural reform, the concentration of the industry has increased. During the reporting period, the Group strove to mitigate the impact of sales decline on our business in the first half of the year, and achieved 128,000 tons of production and sales for the year, still leading the high-precision copper plates and strips industry nationwide.

2019 is still a challenging year for the Group's gaming business. Due to the tightened regulation imposed on the online gaming industry in China, the replacement of old games with the new was later than expected, resulting in a decrease in the revenue from the gaming business as compared to the same period last year. Meanwhile, during the year, the board of directors of the Company (the "**Board**") also actively worked on the settlement of the performance compensation of the gaming business in the past three years as soon as possible, and reached a settlement deed with relevant parties on 23 January 2020.

I hereby announce that the profit attributable to shareholders of the Company for 2019 was RMB59.3 million and the annual revenue was RMB4,253.1 million.

OUTLOOK

In 2020, the global economy and situation will fluctuate more wildly, which has been fully reflected in the first quarter of 2020. In particular, the global pandemic of novel coronavirus disease (COVID-19) has resulted in unpredictable and significant impact on the life safety for people all over the world and the global economy. The Group's operations and employees will face the biggest challenge over the past decade in 2020. However, we believe that under the leadership of the Board and with the joint efforts of all employees, the Group will be able to make quick adjustments, weathered the storm, and continue to move forward.

APPRECIATION

On behalf of the board of directors, I would like to express my sincere gratitude and blessings to all shareholders, employees, partners and all sectors of the community.

HU Changyuan
Chairman

Hong Kong, 31 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

The Group's total revenue amounted to RMB4,253.1 million, representing a decline rate of 14.9% compared to RMB4,996.1 million in 2018. The Group's profit attributable to the shareholders increased by 115.6%, from RMB27.5 million in 2018 to RMB59.3 million.

COPPER PROCESSING BUSINESS

Market and Industry Review

The global economic growth had a slowdown in 2019, and under the pressure of economic downturn, it was imperative for the world's major central banks, such as the Federal Reserve, to go back to quantitative easing policies. The global economy lacks of new long-term growth drivers, as a result only economic policies can work. In the first half of 2019, under the higher pressure of economic downturn, China has adopted reserve cuts, tax reduction, acceleration of issuance of local special bonds, advance allocation of central budget investment, and other measures to promote production. The downward pressure on the domestic economy remained strong in the second half of the year, yet there was a greater stability, resilience and potential of economic growth. According to "China Copper Monthly (中國銅業)" issued on 10 January 2020 (the "**January 2020 China Copper Monthly**") by Beijing Antaike Information Co., Ltd. (北京安泰科信息股份有限公司), a research center providing analysis of the Chinese metals industries and markets, copper price is positively correlated with the global gross domestic product ("**GDP**"). During 2015 to 2019, the global GDP recorded respective growth rates of approximately 3.1%, 3.1%, 3.9%, 3.6% and 3.0%, with the average London Metal Exchange ("**LME**") copper prices per ton moving in a similar trend, which were approximately USD5,500, USD5,000, USD6,200, USD6,500 and USD6,000 respectively in the same period.

In the first half of 2019, the monthly LME copper prices per ton showed a trend of rising followed by a drop, with the main fluctuation ranging at approximately USD5,700 to USD6,600. In mid-April of 2019, LME showed a highest copper price reaching approximately USD6,608.5, and then the copper prices began to decline rapidly. The average LME monthly and 3-month copper future prices per ton for the first half of 2019 were approximately USD6,167 and USD6,175 respectively, down by approximately 10.82% and 11.13%, respectively compared with the same period of last year. In the second half of 2019, the monthly LME copper prices per ton were varying within the relatively small range of approximately USD5,700 to USD5,900, except that in December 2019, the average monthly price per ton bounced up to approximately USD6,062. There were two major factors contributing to the fluctuations in the copper prices in 2019. being (i) the Sino-US trade issues and (ii) the counter-cyclical behaviours of central banks and governments across the globe. It was noted that the copper prices fell when the Sino-US trading relations turned sour, and vice versa, once the tension loosened and negotiations between the two countries resumed, the copper prices rose. In relation to the counter-cyclical behaviours, the central banks and governments exerted less control when the economic development was generally stable, causing copper prices to continue falling in the lack of constant economic support and drive; whereas more fiscal and monetary policies would be launched to stabilise the copper prices in times of economic downturn.

The copper market in the PRC generally fluctuated in a similar trend with the LME market. Under the environment of worsening Sino-US trading relations with the USD trading higher throughout the reporting year, RMB experienced a slight devaluation in 2019 and slightly strengthening the copper market. The highest and lowest 3-month copper price per ton recorded on the Shanghai Futures Exchange ("**SHFE**") was approximately RMB50,700 in March and RMB45,680 in July respectively. The SHFE 3-month copper future price per ton on the last trading day of 2019 was RMB49,150, recording an increase of approximately 1.68% compared with that in 2018. The average SHFE monthly and 3-month copper future prices per ton in 2019 were approximately RMB47,701 and RMB47,735 respectively, down by approximately 5.6% and 5.96%, compared with the same period in 2018.

Overall, the low inventory level of copper market, copper concentrate, and tightened supply of scrap copper has provided fundamental support for the copper price, yet the copper price is still subject to the weak demand, the support for copper price is relatively limited. The trend of copper prices in 2020 will be greatly subject to the impacts on the performance of the macro-economy, trends of Sino-US trade and the US dollar.

According to the January 2020 China Copper Monthly, the copper strip industry in China experienced ups and downs in 2019. However, the overall production level of copper processing enterprises remained stable, the production capacity continued to grow, despite the weak market demand caused by domestic economic adjustments and Sino US trade friction.

In 2019, China's copper strip production capacity reached 4.1 million tons, a year-on-year increase of 5.36%, and the output reached 2.9 million tons, a year-on-year increase of 0.88%. The comprehensive capacity utilization rate was 70.13%, a year-on-year decrease of 3.12%. Among them, the output of China's high-precision copper strip is expected to reach 782,000 tons, an increase of 5.78% year-on-year, mainly driven by the substantial growth of market demand for high-precision copper, i.e. tin phosphorus bronze, high-precision white copper and other products.

Business Review

During the reporting year, the Group's copper processing business realised a total revenue of RMB4,226.4 million and sales volume of 132,094 tons, representing a decrease of 14.8% and 8.3% respectively over 2018. The revenue from manufacturing and sales of precision copper plates and strips was RMB3,964.0 million, representing a decrease of 10.9% from RMB4,448.1 million of last year. The sales volume of precision copper plates and strips was 88,987 tons, representing a decrease of 7.5% from 96,185 tons in the same period of last year. The decrease in copper plates and strips revenue was mainly due to a decrease in sales volume and copper price. During the reporting period, copper products processing services revenue reached RMB209.0 million, representing an increase of 7.2% from RMB194.9 million of last year. The volume of processing services was 39,116 tons, representing an increase of 2.6% from 38,128 tons of last year. During the reporting period, revenue from trading of raw materials was RMB53.4 million, representing a decrease of 83.1% from RMB316.2 million of last year. While trade sales were 3,991 tons, representing a decrease of 58.7% from 9,666 tons of last year.

Business Development

In 2019, the Group focused on "expansion, stability, cost reduction, improvement and development" conducting various activities in the following areas:

1. Expansion – conducting market expansion by focusing on the scope of usage of products and recyclable non-ferrous metals purchasing such as scrap copper. In 2019, there were 85 new customers in our sales and 22 new suppliers in our raw material purchasing. The Group acquired a new land in the Hangzhou Bay New Zone for setting up new production capacity and research and development of new copper products.

2. Stability – maintain stability in the areas of product quality and staff turnover in key positions. During 2019, there were 22 projects on product quality improvement of different business units. As at the end of the year, most of the projects have reached our expectation. In order to stabilize our talented personnel pool and improve the overall quality of our personnel, the Group conducted training for its management personnel at different levels and recruited more technicians in copper plates and strips, with an aim to improve the standard of our technicians.

3. Cost reduction – cost reduction at all levels. The Group advocated cost reduction in full efforts from all staff by adopting the policy of "special incentives for cost reduction and efficiency enhancement". The Group rewards general employees with cash bonus for major breakthroughs in market expansion, new product development, cost reduction and efficiency enhancement. During the reporting year, the Group has effectively carried out various cost reduction projects internally, including energy saving and consumption reduction in workshops, purchasing of production accessories, purchasing and matching of raw materials, working capital management, sharing of IT consumables and optimisation of administrative services, and achieved satisfactory results.

4. Improvement – focusing on improvements in efficiency and management. The improvement in efficiency was mainly reflected in cultivating direct customers, enhancement of customer communication, and maximisation of waste utilisation. The Group held its first customer meeting for its copper processing business and invited more than 100 customers to visit our copper processing factory and exchange ideas with our customers. By having such meeting, the Group is able to understand its own shortcomings in all aspects and understand the customer's needs for new application areas and new products as much as possible. Improvement in management was mainly reflected in aspects such as safety, environmental protection, occupational health, information system, and remuneration performance. The Group has also strengthened the on-site management and supervision in its production facilities, by introduction of equipment management information system, and focusing on improving the efficiency on each single equipment output.

5. Development – focusing on new product pipeline, technical transformation. The Group proposed three "oriented" concepts for new product development, namely, market-oriented, research institute-oriented and industry-oriented. During the reporting year, the Group has completed more than 40 technological improvements, developed various new alloy labels which could be applied to areas including high speed trains, high-end connectors, electronic relays, vehicles and other areas. The technical transformation focused on improving safe working environment, product quality, cost reduction and efficiency enhancement, and successfully completed projects such as workshop dust removal and noise reduction, electricity conversion to gas, and heat recycling.

   In 2019, one of our copper processing subsidiaries was awarded as the Model Manufacture Enterprise by the Ningbo municipal government. One of our projects won the Major Technical Innovation 2025 Special Support accredited by the Ningbo Technology Bureau.

Outlook

The incidents that have happened around the world during the first quarter of 2020 have shown people that year 2020 will be an unusual and historical year. The coronavirus pandemic that spread across the world, together with other unsettling factors, has worsened the already sluggish global economy. China's economy has also suffered as a result, with all industries exposed to varying degrees of shock and impact.

Facing the great uncertainties and turbulence of the external environment, the Group is determined to move forward through innovation and pursuit of excellence, focusing on restructuring its product mix and stable quality, and meanwhile striving to achieve management innovation as well as efficiency enhancement and cost reduction. We expect the copper processing industry will be more competitive in 2020 due to more production capacity would be released. However, the Group is confident that under the leadership of the Board, the Group will overcome the difficulties brought by negative external factors, and continue to be a strong leader in China's copper processing industry.

MANAGEMENT DISCUSSION AND ANALYSIS

ONLINE GAMES BUSINESS

Industry Review

According to a news release dated 3 January 2020 posted on the website (link to source: http://www.joynews.cn/jiaodianpic/202001/0332402.html) of CNG (伽馬數據), a leading research center providing analysis and publications of the China's Game Industry Reports for the Game Publishers Association Publications Committee of the China Audio-video and Digital Publishing Association (中國音像與數字出版協會遊戲出版工作委員會), the actual sales revenue and of the Chinese game market in 2019 was approximately RMB233 billion, representing a year-on-year growth of approximately 8.7%.

The actual sales revenue of China's mobile game market exceeded RMB151.37 billion, an increase of 13.0% over the same period of last year, and the growth momentum continued. China's mobile game market has become more and more mature. According to CNG data, high-quality products and innovation will be an important driving force for the future development of mobile game market. In 2019, China's mobile game market is expected to account for about 30% of the global market, leading the global mobile game market.

In 2019, the actual sales revenue of the terminal-end game market remained stable. In 2019, the web game market further shrank, because mobile games replaced it to a certain extent. With the development of the mobile game market, the web game market will decline even more.

In 2019, the actual sales revenue of China's game console market rose sharply to RMB640 million, a year-on-year increase of 341.4%. This mainly benefits from the continuous maturity of the distribution platform of the game consoles. At the same time, the continuous launch of new game products also promotes the growth of sales revenue.

According to CNG research, the regulatory authorities of the online game industry restarted the approval of the commercial license ("**banhao**") of the online games in 2019. After a large-scale clearing of the application backlogs, the issuance of new banhao was slow in the beginning of the year, and then accelerated. It is widely believed in the industry that the authority adopted a quota system to manage the total quantity of banhao. Though the number of banhao in 2019 is gradually picking up, the total number of issued banhao was still much fewer than previous years'. In the future, it will become a trend to rely on blocker buster gaming products with intellectual property and to reduce the total number of new games distributed per year. Companies with excellent self-development ability and long-term operation license of game products with intellectual property will benefit. Secondly, in terms of the number of gaming products that obtained banhao in the second half of 2019, the number of light leisure gaming products was close to half of the total. Leisure games maybe a breakthrough point for many small players in the online gaming industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In August 2016, the Group completed the acquisition of Funnytime Limited ("**Funnytime**"), which mainly engages in the development, distribution and operation of online games through its wholly-owned subsidiary Soul Dargon Limited and a domestic company Hefei Zhangyue Network Technology Co., Ltd. ("**Zhangyue**") controlled through contractual agreements.

Funnytime achieved total revenue of RMB26.7 million and net profit of RMB3.2 million for the year ended 31 December 2019, representing a decrease of 27.6% and an increase of 3.2% respectively over 2018. The decrease in revenue is mainly because Zhangyue was short of new gaming products to replace existing products or products that ceased operation. The net profit of 2019 is comparable with that of 2018 is due to the less credit loss allowance on trade and other receivables occurred in 2019. As the future of online gaming business remains uncertain due to the tightened controls by the authority and increasing competition in the online gaming industry, the Company made further impairment on the goodwill arising from the acquisition of Funnytime. As a result of the further impairment, the Group has nil balance of the goodwill on its financial statements as at 31 December 2019.

On 21 June 2016, Xingye (as purchaser and being a wholly-owned subsidiary of the Company), Mobilefun (as vendor), and the Guarantors (namely, Mr. Ren Hao and Mr. Yang Jiong), together with Mr. Tong (as guarantor), entered into the SPA, pursuant to which Xingye conditionally agreed to acquire, and Mobilefun conditionally agreed to sell, the entire issued share capital of Funnytime at the consideration of HKD186,000,000.20 subject to certain consideration adjustment mechanism. Such consideration shall be satisfied (i) as to HKD116,000,000 in cash; and (ii) as to HKD70,000,000.20 by issuance of 77,777,778 consideration shares at the issue price of HKD0.90 each (the "**Consideration Shares**").

Under the SPA, Funnytime Limited and its subsidiaries (collectively the "**Target Group**") shall achieve performance targets of adjusted net profit of RMB18,000,000, RMB22,000,000 and RMB30,000,000 for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 respectively, and that its total anticipated adjusted net profit shall be RMB70,000,000. As the Target Group had fulfilled its performance targets for the two years ended 31 December 2016 and 2017, the Company duly allotted and issued a total of 44,442,223 Consideration Shares and paid the entire cash portion of HKD116,000,000 (inclusive of the transaction costs) to Mobilefun.

The Guarantors and Mr. Tong were the then shareholders of Mobilefun and pursuant to the SPA, each of them has unconditionally and irrevocably guaranteed the due observance and performance by Mobilefun under the SPA, and agreed to indemnify the Company and Xingye in respect of all losses and damages as a result of any failure by Mobilefun to perform or comply with its obligations under the SPA. In July 2018, Mr. Tong was relieved from acting as one of the guarantors under the SPA after his disposal of all his interest in the Vendor to Mr. Ren. The Guarantors (being Mr. Ren and Mr. Yang Jiong) remain as the guarantors under the SPA.

Given the Target Group has failed to meet its performance target for the year ended 31 December 2018, according to the consideration adjustment mechanism under the SPA, Mobilefun shall repay Xingye the Repayment Amount of HKD40,135,567 with respect to the cash portion, and the remaining number of Consideration Shares to be issued to Mobilefun has been reduced to 6,424,734 shares of the Company, being the Unissued Shares of the Company which are withheld by the Company pending the settlement of the Repayment Amount.

On 23 January 2020, the Company, Xingye, Mobilefun, and the Guarantors entered into the Settlement Deed with respect to the settlement of the Repayment Amount owed by Mobilefun to Xingye, pursuant to which: (i) the Company shall cancel the issuance of, and be relieved from the obligation to issue, the Unissued Shares at the cancellation price of HKD0.80 per share of the Company; (ii) the Company shall buy back the sale shares (i.e. 41,000,000 shares of the Company) from Mobilefun at the buy-back price of HKD0.80 per share of the Company (i.e. the "**Share Buy-back**"); and (iii) Mobilefun shall repay the residual repayment amount (i.e. HKD2,195,779.80) in cash to the Company.

The special resolution approving the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back) was duly passed by the independent shareholders of the Company at the extraordinary general meeting held on 9 March 2020.

Funnytime was consolidated into the Group's financial statements from the Acquisition Date, with its net profit of RMB6.2 million from the Acquisition Date to 31 December 2016. Net profit of RMB21.5 million, RMB3.1 million, and RMB 3.2 million were consolidated in the Group's financial statements for the year ended 31 December 2017, 31 December 2018, and 31 December 2019 respectively.

Business Development

Operation Center

In 2019, although the game industry was affected by relevant national policies, Zhangyue, a subsidiary of the Group's online gaming business which is principally engaged in publishing and operation of games licensed by third-party developers, continued to maintain its operations in traditional web game business. Revenue from Art of War and Three Kingdoms (《兵法三國》), Ambition of Three Kingdoms 2 (《三國之志2》), Siege Three Kingdoms (《攻城三國》) and other web game products was able to keep steady. The market for mini games flourished in 2019 with Tencent, Alibaba, ByteDance and other companies joining the market. In the second half of the year, Zhangyue focused on maintaining the existing mini games as well as introducing and launching more new products. Meanwhile, in order to cope with the change of the relevant policies for the industry and the wave of game globalisation, Zhangyue started to proactively explore overseas gaming market. The first product was launched in Southeast Asia in June 2019 and other 3 products are being proposed for launching overseas in 2020. Moreover, Zhangyue plans to launch a mobile game featuring authorised adoption of anime characters in 2020 globally.

Research and Development Center

In 2019, Zhangyue combined its capacity in research and development with the latest market demand of the gaming industry to focus on mini games research and development. Self-developed mini game "Zhe Jiu Shi Xiu Xian A" (《這就是修仙啊》) was launched in the first half of the year. As a casual mini game, its performance has surpassed other products in the same category and received positive feedback from the market. Another mini game was "Huang Di Yang Cheng Ji" (《皇帝養成記》) launched in the second half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

As the online gaming industry becomes increasingly competitive, Zhangyue has quickly adapted to new industry trends. Zhangyue actively explores game business opportunities in H5 games and mobile games in order to provide breakthroughs in its business. Zhangyue is committed to constantly bring high quality games to the market, and focus on improving player experiences of existing games. It is the intention of the Board to maintain and uphold the existing operational model of the Group's online gaming business. Going forward, the Board will continue to monitor and review the operating and financial performance of the Group's online gaming business from time to time to determine its best course of strategies, positioning and scale of operation, which will also taking into account the overall strategic development of the Group.

FINANCIAL REVIEW

Revenue and gross profit

The Group's copper business achieved a total revenue of RMB4,226.4 million for the year ended 31 December 2019, and the Group's online gaming business achieved revenue of RMB26.7 million.

For the year ended 31 December 2019, the Group recorded total sales revenue of RMB4,253.1 million, which decreased by 14.9% from RMB4,996.1 million of last year. The decrease in the revenue of the Group's copper business was mainly due to a decrease in sales volume of copper products and copper price. The Group sold 132,094 tons of copper products, which decreased by 8.3% from 143,979 tons of 2018. The Group recorded a gross profit of RMB401.8 million in 2019, which decreased by 4.0% as compared with 2018. The decrease in gross profit is mainly due to less exports of copper products caused by global trade frictions during 2019.

Other income

For the year ended 31 December 2019, the Group recorded other income of RMB21.5 million, which decreased by RMB18.0 million as compared to 2018. The Group had less gains from derivative financial instruments by RMB10.6 million, and less government grants by RMB6.3 million as compared with 2018.

Other expenses

For the year ended 31 December 2019, other expenses of the Group was RMB36.3 million, which decreased by RMB83.9 million from RMB120.2 million in 2018. This was mainly because the Group recorded less impairment loss on goodwill of RMB28.3 million in 2019 as compared with RMB109.9 million in 2018.

Distribution expenses

For the year ended 31 December 2019, the distribution expenses of the Group decreased by RMB0.8 million from RMB47.1 million in 2018 to RMB46.3 million in 2019.

Administrative expenses

For the year ended 31 December 2019, administrative expenses of the Group decreased by RMB5.8 million from RMB240.3 million in 2018 to RMB234.5 million in 2019, which was mainly due to the decrease in office expenses and bank charges.

Net finance costs/(income)

For the year ended 31 December 2019, the Group's net finance costs was RMB30.7 million (2018: net finance income of RMB1.1 million). This was mainly due to a decrease of RMB52.4 million on change in fair values of contingent consideration receivables and contingent consideration payables.

Income tax

For the year ended 31 December 2019, the Group's income tax expenses decreased by RMB7.4 million to RMB15.3 million from RMB22.7 million in 2018, and the effective tax rate decreased to 14.3% (excluding impairment loss on goodwill and changes in fair values of contingent consideration receivables and payables) from 20.2% of last year, which was mainly due to that the Group's two major subsidiaries received tax refunds of RMB8.4 million in May 2019 in respect of the overpayment of 2018 income tax as, they enjoyed 75% additional deduction for qualified research and development expense.

Profit attributable to the shareholders of the Company

As a result of the aforementioned factors, the profit attributable to the shareholders of the Company increased by RMB31.8 million to RMB59.3 million from RMB27.5 million for 2018.

Liquidity and financial resources

As at 31 December 2019, the Group recorded net current assets of RMB230.8 million, compared with net current assets of RMB171.7 million as at 31 December 2018.

The short-term interest-bearing borrowings represented 90.9% of total interest-bearing borrowings as of 31 December 2019. As at the date of this annual report, 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 together with bank deposits of RMB1,005.4 million (including long term loan facilities amounted to RMB239.3 million effective until 2021) and RMB464.8 million (comprised of structured bank deposits of RMB20.1 million, restricted bank deposits of RMB221.5 million, bank deposits with maturity over three months of RMB60.0 million and cash and cash equivalents of RMB163.2 million) respectively. Based on previous experience and the Group's relationships with its principal lending banks, the Board believes that the Group can roll over 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 requirements and meet its foreseeable debt repayment requirements.

As at 31 December 2019, the Group had outstanding bank loans and other borrowings of approximately RMB768.9 million which shall be repaid within 1 year. As at 31 December 2019, 67.4% of the Group's debts were on a secured basis.

The net gearing ratio as at 31 December 2019 was 38.1% (31 December 2018: 36.2%), which is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings and lease liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity attributable to equity shareholders of the Company, as shown in the consolidated statement of financial position, plus net debt.

Charge on assets

As at 31 December 2019, the Group pledged assets with an aggregate carrying value of RMB733.6 million (31 December 2018: RMB921.7 million) to secure bank loan facilities.

Capital expenditure

In the year ended 31 December 2019, the Group had invested RMB52.3 million in the purchase of property, plant and equipment. These capital expenditures were largely financed by internal resources and bank loans.

Capital commitments

As at 31 December 2019, future capital expenditures, for which the Group had contracted but not provided for, amounted to approximately RMB598.0 million, which is mainly for plant construction and capacity expansion of the Group's copper processing business.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET RISK

The Group was exposed to various types of market risks, including fluctuation in copper prices and other commodities' prices and changes in interest rates and foreign exchange rates.

EMPLOYEES

As at 31 December 2019, the Group had 1,334 employees, of which the copper business and online gaming business had 1,272 and 62 employees respectively. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to our employees. Benefits of the employees include salaries, pension, medical insurance scheme and other applicable social insurance. In addition, share options or share awards may be granted or awarded to eligible employees of the Group (including directors) in accordance with the terms of the approved share option scheme or share award scheme respectively. Promotion and salary increments are assessed based on performance. The Group's success is dependent upon the skills and dedication of its employees. The Group recognises the importance of human resources in a competitive industry and has devoted resources to train employees. The Group has established an annual training program for our employees so that new employees can master the skills required to perform their roles and responsibilities and the existing employees can upgrade or improve their skills.

ENVIRONMENTAL AND REGULATORY POLICES

Environmental protection and energy conservation are the fundamental standards in our production and operations. The Group has made vigorous endeavors to foster the recycling of resources and has established dedicated recovery plants that recycle the relevant metals and other resources for remanufacturing purposes in order to minimise the impact on the environment.

The Group has required strict compliance of its suppliers with environmental regulations and will return and reject raw materials containing hazardous substances exceeding the recommended limits in terms of concentration or goods for which certificates, approvals and verification issued by relevant regulatory authorities have not been obtained.

The principal operating companies of the Group are situated in the PRC, whilst the Company was incorporated in the Cayman Islands and its shares are listed in Hong Kong. The Group has complied with all the relevant laws, rules and regulations in the PRC, the Cayman Islands and Hong Kong.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 789,000 shares of the Company at a total consideration of HKD417,000 (equivalent to RMB359,000) during the year.

CORPORATE GOVERNANCE REPORT

The Board is committed to promote good corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and believes that maintaining a high standard of corporate governance is essential to the success of the Company and focuses on enhancing greater accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2019, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The current practices will be reviewed by the Board regularly to follow the latest practices of corporate governance.

COMPLIANCE WITH THE MODEL CODE AS SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors of the Company (the "**Directors**"), all the Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2019.

BOARD OF DIRECTORS

Board composition

The Board currently has three Executive Directors, namely, Mr. HU Changyuan (Chairman), Mr. HU Minglie (Chief Executive Officer) and Mr. ZHU Wenjun, one non-executive Director, namely, Mr. DAI Jianchun and three independent non-executive Directors, namely, Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong. The size and composition of the Board are reviewed regularly to ensure that they are well balanced with each Director having sound knowledge, experience and expertise relevant to the business and development of the Group. There is no financial, business, family or other material relationships among members of the Board except for a family relationship between Mr. HU Changyuan (Chairman) and Mr. HU Minglie (Chief Executive Officer). Biographical details of the Directors and relationship among Directors are set forth in the section headed "Biographical Details of the Directors" of this annual report.

An updated list of its Directors identifying their roles and functions and whether they are independent non-executive directors is published on the Company's website and the designated website of Hong Kong Exchanges and Clearing Limited (the "**Exchange's website**").

At least one-third of the members of the Board are independent non-executive Directors and the Board comprises at least three independent non-executive Directors, which meet the minimum requirements of the Listing Rules. Therefore the number of the independent non-executive Directors appointed by the Company is in compliance with Rule 3.10 and Rule 3.10A of the Listing Rules.

Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the three independent non-executive Directors. The Board is of the view that all independent non-executive Directors are independent within the definition of the Listing Rules.

Responsibilities of the Board

The principal duty of the Board is to ensure that the Company is properly managed in the interests of the Shareholders. The Board, led by the Chairman, is responsible for giving guidance to and exercising effective checks on the management. In general, the duties of the Board are: (i) formulating long-term strategies of the Group and supervising their implementation; (ii) reviewing and approving the business plans and financial budgets of the Group; (iii) approving the annual and interim results of the Group; (iv) reviewing and supervising risk management and internal control of the Group; (v) ensuring a high standard of corporate governance and compliance; and (vi) overseeing the performance of the management.

The Board delegates on specific terms to the management to carry out defined strategies and report to the Board in respect of day-to-day operations. For such purposes, the Board has laid down clear terms of reference which specify those circumstances under which the management shall report to the Board and those decisions and commitments for which prior approval of the Board is required.

The Company convenes at least four regular Board meetings a year and meets more frequently as and when required. During the year ended 31 December 2019, the Board convened a total of 8 Board meetings (including 4 regular Board meetings) and the individual attendance record of the Directors is tabulated as follows:

Name of Director	Number of meetings held while being a Director	Number of meetings attended
Executive Directors		
Mr. HU Changyuan *(Chairman)*	8	8
Mr. HU Minglie *(Chief Executive Officer)*	8	8
Mr. REN Hao *(resigned on 23 September 2019)*	5	5
Mr. ZHU Wenjun	8	8
Non-executive Director		
Mr. DAI Jianchun	8	8
Independent Non-executive Directors		
Mr. CHAI Chaoming	8	8
Dr. LOU Dong	8	8
Ms. LU Hong	8	8

Notice of at least 14 days should be given to the Directors of a regular Board meeting to give all Directors an opportunity to attend the meeting. All Directors are supplied with comprehensive Board papers and relevant materials within a reasonable period of time before the intended meeting date (usually no less than one week before the Board meeting). In respect of regular meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers should be sent in full to all Directors in a timely manner and at least 3 days before the intended date of Board meeting or Board committees meeting, which ensure that all Directors would have the opportunity to include matters in the agenda.

Directors are free to express their views at the meetings of the Board. Important decisions will only be made after detailed discussion at the Board meetings. Directors confirmed that they have responsibility to act in the interests of the public and the Company, particularly in the interests of minority Shareholders. In the event of a conflict of interests between Shareholders' interests and any other interests, Shareholders' interests shall prevail.

Directors have free access to the management for enquiries and to obtain further information so as to facilitate the decision-making process. The management would also be invited to attend Board meetings from time to time for detailed explanation of the issues under discussion and respond to enquiries from the Directors.

Detailed minutes of meetings are compiled for Board meetings or Board committee meetings. Minutes of the meetings must record issues in detail which are considered by the Directors during the meeting as well as the resolutions passed, including any concerns or objections put forward by the Directors.

One week's time will be available to all the Directors and the Board committee members to provide comments on the draft minutes of the relevant meetings. The draft minutes will then be approved with confirmation given by the Chairman or the chairman of the Board committee.

Minutes of Board meetings or Board committee meetings are kept by the secretary to the Board or the Company Secretary and are available for inspection by the Directors at all times.

All Directors are free to communicate with the secretary to the Board and the Company Secretary who are responsible for ensuring and advising on compliance of all procedures in connection with the Board and all applicable rules and regulations.

The Board and Board committees are provided with sufficient resources for performance of their duties including but not limited to hiring consultants when necessary at the expense of the Company. Individual Directors can also hire consultants for advice on any specific issues at the expense of the Company.

All Directors can obtain from the secretary to the Board or the Company Secretary timely information and latest development about rules and regulations and other continual responsibilities which directors of listed companies must observe so as to ensure that each Director is informed of his/her own duties and that the Company implements Board procedures consistently and complies with the legislations properly.

Corporate Governance Functions

The Company is committed to achieving high standards of corporate governance to safeguard, uphold and maximize the interests of Shareholders and to enhance corporate value and accountability. The Board is responsible for the following corporate governance duties:

- To develop, review and update the Company's policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year under review, the Board had performed the above duties.

Directors' and officers' liability

Appropriate directors' and officers' liability insurance has been arranged for the Directors and officers of the Company.

Directors' training and continuing professional development

The Directors are committed to comply with Code Provision A.6.5 of the CG Code on Directors' training so as to ensure that their contribution to the Board will be informed and relevant.

The Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. The Company from time to time updates and provides written training materials to the Directors, and organizes seminars on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices.

The Company arranged an in-house briefing on regulatory update of director's duties for listed companies to Directors conducted by a law firm during the year. All Directors attended the in-house training.

All Directors have participated in appropriate continuous professional development programmes and reading materials to develop and refresh their knowledge and skills and provided the Company their record of training they received for the year ended 31 December 2019.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

The Company follows a formal considered and transparent procedure for the appointment of new directors. The Nomination Committee has formulated a nomination policy and is responsible for identifying and nominating suitable candidates for the Board's consideration as additional directors or to fill in casual vacancies on the Board and making recommendations to the shareholders regarding any directors proposed appointment or re-election at annual general meetings.

Details of the selection process of new directors and a summary of work performed by the Nomination Committee in 2019 are set out under the "Nomination Committee" section below.

According to Articles 87(1) and 87(2) of the Company's Articles of Association, one-third of the Directors shall retire from office by rotation at least once every three years and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Any Director appointed by the Board pursuant to Article 86(3) shall not be taken into account in determining which particular Director or the number of Directors who are to retire by rotation. Pursuant to Article 86(3) of the Company's Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election.

Each of the executive Directors of the Company had entered into a service contract with the Company with effect from their respective date of appointment until terminated in accordance with the term of the service contracts. Under the service contracts, either the executive Director or the Company may terminate such appointment at any time by giving to the other not less than three month's prior notice in writing.

The non-executive Director and each of the independent non-executive Directors of the Company had entered into an appointment letter with the Company and were appointed for a term of 3 years.

CORPORATE GOVERNANCE REPORT

DIVISION OF RESPONSIBILITIES

The posts of Chairman and the Chief Executive Officer are distinct and separate. The Chairman is responsible for supervising the functions and performance of the Board, while the Chief Executive Officer is responsible for the management of the businesses of the Group. The current Chairman and Chief Executive Officer of the Company are Mr. HU Changyuan and Mr. HU Minglie, respectively.

The Board has three independent non-executive Directors who have brought in strong independent judgment, knowledge and experience. In addition, each executive Director is delegated individual responsibilities to monitor and oversee operations of a specific area, and to implement strategies and policies that are set by the Board. Currently, the majority of members of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive Directors. This structure ensures a sufficient balance of power and authority as well as a segregation of powers within the Group.

BOARD COMMITTEES

The Board has appointed the following Board committees to oversee particular aspects of the Company's affairs:

Audit Committee

The Audit Committee was established on 1 December 2007 with specific written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board in accordance with the requirements of Listing Rules and the CG Code, which are published on the Company's website and the Exchange's website. During the year under report, the Audit Committee comprises three members, including two independent non-executive Directors, namely, Mr. CHAI Chaoming (Chairman) and Ms. LU Hong, and one non-executive Director, namely, Mr. DAI Jianchun. The Audit Committee meets formally at least twice a year.

Two Audit Committee meetings were held during the year ended 31 December 2019. At the meetings, the members of the Audit Committee executed the major duties and responsibilities which are provided below. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Member	Number of meetings held while being a Member	Number of meetings attended
Mr. DAI Jianchun	2	2
Mr. CHAI Chaoming *(Chairman)*	2	2
Ms. LU Hong	2	2

The major duties and responsibilities of the Audit Committee include the followings:

– to review the Group's annual and interim reports as well as financial reports, recommendations on management put forward by auditors and responses from the Company's management;

– to review matters related to accounting policies and accounting practices adopted by the Group;

– to review the risk management and internal control systems of the Company;

– to review internal control matters with the external auditors;

– to review the external auditors' statutory audit plan and letters to the management;

– to advise the Board on appointment, re-appointment and removal of hired external auditors, approve remuneration and terms of engagement of external auditors and to handle any problems in relation to the resignation or dismissal of auditors; and

– to review continuing connected transactions and examine the adequacy of internal controls of the Group as part of the standard procedures.

The duties of the Audit Committee also include reviewing the scope and results of the audit and its cost effectiveness, and the independence and the objectivity of the Company's auditor. The Audit Committee will review the independence of the Company's auditor and the resources and adequacy of the internal audit function at least once a year. Where the auditor also supplies non-audit services to the Company, the Audit Committee will keep the nature and extent of such services under review, and seek a balance between the maintenance of objectivity and value for money.

The Audit Committee has free access to the accountants and senior management of the Group and to any financial and relevant information which enable them to discharge their functions effectively and efficiently. Besides internal assistance being available, the Audit Committee may request for assistance and advice from external auditors as and when they think necessary at the expenses of the Company. The Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the external auditors. In addition, the Audit Committee should meet with the external auditors without the presence of the executive Directors to discuss the Group's financial reporting and any major and financial matters arising during the year under review at least once a year.

In addition, the Audit Committee is authorized:

– to investigate into any matter within the ambit of its written terms of reference;

– to have full access to and co-operation by the management;

– to have full discretion to invite any Director or executive officer to attend its meetings; and

– to have reasonable resources to enable it to discharge its functions properly.

Remuneration Committee

The Remuneration Committee was established on 1 December 2007 with specific written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board in accordance with the requirements of the Listing Rules and the CG Code, which are published on the Company's website and the Exchange's website. During the year under report, the Remuneration Committee comprises two independent non-executive Directors and one executive Director, namely, Dr. LOU Dong (Chairman) and Ms. LU Hong and Mr. ZHU Wenjun. Its primary objective is to ensure that the Company can recruit, retain and motivate high-calibre staff in order to reinforce the success of the Company and create value for our Shareholders. The Remuneration Committee is also responsible for making recommendations to the Board on Directors' remuneration packages and on establishment of a formal and transparent procedure for developing remuneration policy. When recommending the remuneration package for each individual Director, the Remuneration Committee will consider his/her qualification(s) and experience, specific duties and the prevailing market packages available for a similar position. The Remuneration Committee shall aim to meet at least twice a year.

Three Remuneration Committee meetings were held during the year ended 31 December 2019. At the meetings, the Remuneration Committee reviewed remuneration policy and packages of the Directors and senior management and information regarding the directors' remuneration in the interim report and the annual report and made recommendation to the Board for approval. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Member	Number of meetings held while being a Member	Number of meetings attended
Mr. LOU Dong *(Chairman)*	3	3
Ms. LU Hong	3	3
Mr. ZHU Wenjun	3	3

The remuneration of members of the senior management (including all executive Directors) by band for the year ended 31 December, 2019 is set out below:

Remuneration bands ***(RMB)***	Number of person(s)
0 to 1,000,000	1
1,000,001 to 2,000,000	2

Nomination Committee

The Nomination Committee was established on 1 December 2007 with specific written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board in accordance with the requirements of the CG Code, which are published on the Company's website and the Exchange's website. During the year under report, the Nomination Committee comprises three independent non-executive Directors, one non-executive Director and one executive Director, namely, Mr. CHAI Chaoming (Chairman), Dr. LOU Dong, Ms. LU Hong, Mr. DAI Jianchun and Mr. REN Hao (ceased on 23 September 2019). The Nomination Committee meets formally at least once a year.

One Nomination Committee meeting was held during the year ended 31 December 2019. At the meeting, the members of the Nomination Committee executed the major duties and responsibilities which are provided below. The individual attendance record of each member of the Nomination Committee is tabulated as follows:

Name of Member	Number of meetings held while being a Member	Number of meetings attended
Mr. CHAI Chaoming *(Chairman)*	1	1
Dr. LOU Dong	1	1
Mr. DAI Jianchun	1	1
Ms. LU Hong	1	1
Mr. REN Hao *(ceased on 23 September 2019)*	1	1

According to the written terms of reference of the Nomination Committee, the major duties and responsibilities of the Nomination Committee include:

– regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;

– review whether or not an independent non-executive Director is independent for the purpose of the Listing Rules on an annual basis;

– be responsible for identifying and nominating appropriate candidate(s) to fill Board vacancies as and when they arise;

– assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board;

– to advise the Board on issues regarding appointment or re-appointment of Directors and succession of Directors; and

– to review the board diversity policy.

The Board has adopted a nomination policy ("**Nomination Policy**") setting out process and procedure for nomination of directors by the Nomination Committee. The objective of the Nomination Policy is to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. To ensure changes to the Board composition can be managed without undue disruption, a formal, considered and transparent procedure is in place for selection, appointment and re-appointment of Directors. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities.

The Nomination Committee had convened a meeting for the nomination of Directors for re-election at the forthcoming annual general meeting of the Company and had resolved that which Directors shall retire, and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy with effect from 28 August 2013 and discussed all measurable objectives (if any) set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board will be beneficial for the enhancement of the Company's performance. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional and industry experience, skills, knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

ACCOUNTABILITY AND AUDIT

Directors' and Auditors' acknowledgement

The Board acknowledges its responsibilities for the preparation of the financial statements for each financial year, which should give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows for that year in compliance with relevant laws and disclosure provisions of the Listing Rules.

In preparing the financial statements for the year ended 31 December 2019, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The financial statements for the reporting year have been prepared on a going-concern basis.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. A statement by the auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Auditors' Remuneration

During the year, the Company engaged KPMG as the external auditors of the Group until the conclusion of the next Annual General Meeting.

The fees in respect of audit services provided by KPMG for the year ended 31 December 2019 amounted to approximately RMB2.3 million.

Risk Management and Internal Control

The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems of the Group and reviewing their effectiveness on an ongoing basis. The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee. Management has provided a confirmation to the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019. The risk management and internal control systems are designed to manage, not eliminate, the risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The main framework of the Group's risk management and internal control systems at each level are summarized as follows:

- the Board evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;

- the Audit Committee oversees management in the design, implementation and monitoring of the risk management and internal control systems;

- the management designs, implements and maintains appropriate and effective risk management and internal control systems, monitors risks and takes measures to mitigate risks in day-to-day operations; and

- the Risk Management and Internal Audit Department reviews the adequacy and effectiveness of the Group's risk management and internal control systems, and reports to the Audit Committee the findings of the review and makes recommendations to the Board and management to improve the material weaknesses.

Process Used to Identify, Evaluate and Manage Significant Risks

The processes used to identify, evaluate and manage significant risks by the Group are set out below:

Risk Identification and Assessment

- Identifies risks that may potentially affect the Group's business and operations;
- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact on the business and the likelihood of their occurrence.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

The Company has set up a department for risk control and internal audit of the Group. The review of risk management and internal control will be conducted quarterly.

The scope of review was suggested by the Risk Management and Internal Audit Department, and was previously approved by the Audit Committee. The Risk Management and Internal Audit Department has reported major findings and areas for improvement to the Audit Committee. All recommendations from the Risk Management and Internal Audit Department are properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

During the year, the Directors, through the Audit committee, reviewed the effectiveness of the risk management and internal control systems, and considered the such systems to be effective and adequate.

Dissemination of Inside Information

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted the Disclosure Policy which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With these guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

– is well aware of its obligations under the Listing Rules and the overriding principle that information, which is considered as inside information, should be disseminated to the Shareholders and published promptly when it is the subject of a decision;

– conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

- informs all Directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Stock Exchange;

- has developed procedures and mechanisms for the disclosure of inside information;

- has included in its employees' code of conduct a strict prohibition on the unauthorised use of confidential, sensitive or inside information, and has communicated such prohibition to all staff; and

- has established and implemented procedures for responding to external enquiries about the Company's affairs. For example, only Chairman, Chief Executive Officer and delegated executive Directors can act as the Company's spokespersons and has authority to respond to enquiries on designated topics.

Whistle Blowing Policy

To achieve and maintain the highest standards of openness, probity and accountability, the Company adopted a whistle blowing policy on 29 March 2012. This policy aims to govern and deal fairly and properly with concerns raised by the Company's employees about any suspected misconduct or malpractice regarding financial reporting, internal control or other matters within the Company.

COMPANY SECRETARY

The Company has engaged and appointed a representative from an external secretarial service provider as the Company Secretary of the Company. The primary contact person of the Company with the company secretary is Mr. ZHU Wenjun, an executive Director and the Chief Financial Officer of the Group. The biographical details of Mr. ZHU Wenjun are set out under the section headed "Biographical Details of Directors".

According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2019.

SHAREHOLDERS AND INVESTOR RELATIONS

Communication with Shareholders and Investors

The Company is committed to providing Shareholders and other stakeholders (including potential investors) with balanced and understandable information about the Company. The Company uses various communication methods to ensure its Shareholders are kept well informed of key business imperatives. These include general meetings, annual reports, interim reports, various notices, announcements and circulars.

To ensure all Shareholders timely access to important corporate information, the Company utilises its corporate website to disseminate to the Shareholders information such as announcements, circulars and annual and interim reports. Any information or documents of the Company posted on the Exchange's website are also published on the Company's website (www.huanyue.com.hk) under the "Investor Relations" section. Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management are also available on the Company's website.

The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed the Group's strategy, operations, management and plans.

The annual general meeting and other general meetings of the Company provide a useful forum for Shareholders to exchange views with the Board. The Company provides Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. The Chairman of the Board and other Directors, the chairmen of board committees or their delegates, and the representative of external auditors are available to answer Shareholders' questions at the annual general meeting. The chairman of the independent board committee or his/her delegate will be also available to answer questions at any general meeting if a connected transaction or any other transaction that is subject to independent shareholders' approval is required.

The individual attendance record of the Directors at the 2019 annual general meeting ("**AGM**") is tabulated below:

	AGM
Executive Directors	
Mr. HU Changyuan *(Chairman)*	✓
Mr. HU Minglie *(Chief Executive Officer)*	✓
Mr. REN Hao *(resigned on 23 September 2019)*	✓
Mr. ZHU Wenjun	✓
Non-executive Director	
Mr. DAI Jianchun	✓
Independent Non-executive Directors	
Mr. CHAI Chaoming	✓
Dr. LOU Dong	✓
Ms. LU Hong	✓

Shareholders may make direct enquiries about their shareholdings to the Company's Hong Kong branch share registrars. To the extent the requisite information of the Company is publicly available, Shareholders and other stakeholders (including potential investors) may put forward their enquiries about the Company to the Board or the Company Secretary at the Company's head office in Hong Kong or by email, the contact details are also available on the Company's website.

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to put forward enquiries to the Board

The Company's website provides an email address and enquiry telephone lines to enable Shareholders to make any enquiries and concerns to the Board. Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling.

Procedures for Shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, However, Shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above.

If a Shareholder wishes to propose a person (the "**Candidate**") for election as a director of the Company at a general meeting, he/she shall deposit a written notice at the Company's head office at Flat 11, 11th Floor, Hung Tai Industrial Building, 37-39 Hung To Road, Kwun Tong, Kowloon, Hong Kong or Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, at 54/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong. The written notice must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules.

The procedures for Shareholders to propose a person for election as director is published on the Company's website.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "**Dividend Policy**") which does not have any pre-determined dividend payout ratio. In considering dividend payment, the Board will take into account factors such as depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the directors of the Company may consider relevant from time to time. The Board will review the Dividend Policy from time to time and the Dividend Policy does not constitute any commitment or obligation of the Company to declare dividends.

CONSTITUTIONAL DOCUMENTS

The constitutional documents of the Company (i.e. the memorandum and Articles of Association) are available on the Company's website and the Stock Exchange's website. There are no changes in the Company's constitutional documents during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT REPORT PREPARATION

Basis of Preparation

This report is prepared in accordance with the revised Environmental, Social and Governance Reporting Guide (Hong Kong Stock Exchange ESG Reporting Guide) published by Hong Kong Exchange and Clearing Limited in 2015, and by referring to Global Reporting Initiative (GRI) Sustainable Development Report Standards (GRI Standards).

Scope of Report

Scope of organization: The report covers Huan Yue Interactive Holdings Limited ("**Huan Yue Interactive**") and its subsidiaries Ningbo Xingye Shengtai Group Ltd. (the "**Company**" or "**Shengtai Group**") and Shenzhen Zhangyue Network Technology Co., Ltd. ("**Zhangyue Technology**").

Scope of time: from 1 January 2019 to 31 December 2019. Part of the presentation and data are properly traced back to the previous years.

Publish Cycle

This report is published on an annual basis.

Description of Data

Unless otherwise specifically provided in this report, the data and cases in this report are the actual data on the operation of Huan Yue Interactive Holdings Limited.

The unit of financial data in this report is Renminbi. If there is any inconsistency between the financial data in this report and the Company's annual financial report, the latter shall prevail. During the reporting period, there were no confirmed non-compliance incidents in relation to environmental protection of Huan Yue Interactive or its subsidiaries included in this report, based on the data retrieval through the environmental databases of Institute of Public and Environmental Affairs (IPE) and Shanghai Qingyue (上海青悦環保).

Principle of Report

The report complies with the reporting principles set forth in the Hong Kong Stock Exchange ESG Reporting Guide, including:

- **Principle of materiality**

  In accordance with this principle, the report identifies key issues for response through stakeholder surveys and materiality analysis and lays focus on reporting environmental, social and governance matters that may have significant impacts on investors and other stakeholders.

- **Principle of quantitative**

  In accordance with this principle, the report discloses key quantitative performance indicators and explains the meanings of indicators, describing the calculation bases and assumptions.

- **Principle of balance**

  In accordance with this principle, the report reflects objective facts faithfully and discloses indicators of both positive and negative information.

- **Principle of consistency**

  In accordance with this principle, the report explains the meanings of the ESG key quantitative performance indicators disclosed, describing the calculation bases and assumptions. The report also tries to maintain the best consistency among indicators used in different reporting periods to mirror the performance trend.

Publish of the Report and Methods of Contact

This report is published in both Chinese and English. In case of any discrepancies between the two versions, the Chinese version shall prevail.

The Chinese and English versions are available for download at the Huan Yue Interactive official website (http://www.huanyue.com.hk). Should you have any questions or suggestions for the report, you are welcome to call us at +86 0574-63073311, or email us at: cnb@cn-shine.com.

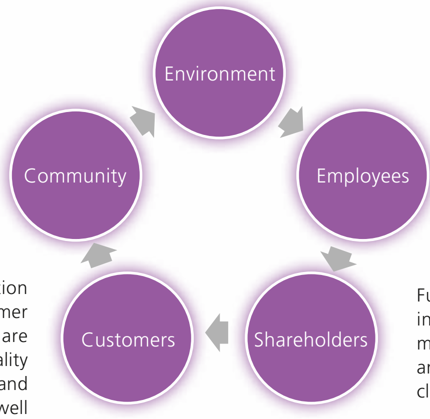
2 MANAGEMENT OF SOCIAL RESPONSIBILITY

As a leading domestic manufacturer of high-precision copper plates and strips, the Company keeps in mind its vision of "building a professional and international first-class supplier of copper plates and strips", and incorporates its operation philosophies of "employee-pleased, customer-impressed, shareholder-satisfied and society-recognized" into its corporate culture and strategic planning.

The Company stays committed to long-term sustainable development. While developing its own business, the Company also creates value for the society and shares prosperity and development results with stakeholders. The Company has formulated a social responsibility management system, established a social responsibility model and developed a unified standard system at the group level. The Company adheres to the basic principles of good-faith operation and strict compliance with laws and regulations to actively undertake its responsibilities for the shareholders, environment, employees, customers and community and give full respect to and safeguard legitimate rights and interests of stakeholders.

Social Responsibility Model

Actively advocates "green and harmonious development", carries out the national energy saving and emission reduction policies and the responsibility system for the Company's energy saving and emission reduction goals



Insists on giving back to society, carries out volunteer activities, and participates in caring donations, university scholarships and other projects of investment in the community

Devotes to building a happy home based on "family caring, family growth, green home, healthy culture, Xingye Culture, family quality", which is the core of the corporate culture

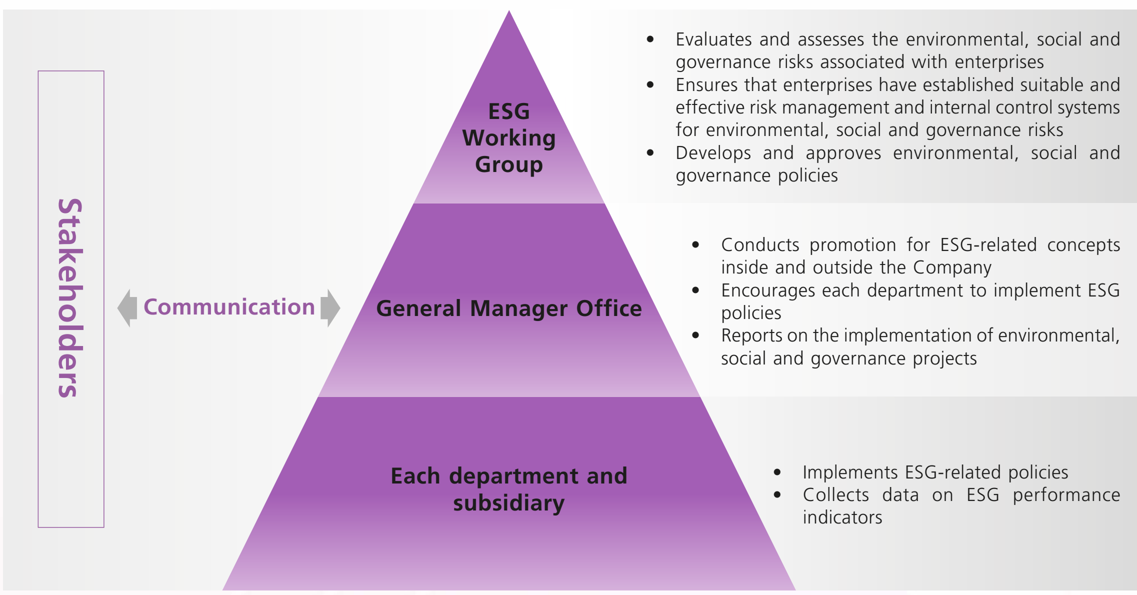
Adheres to the concept of "win-win cooperation and joint development", strengthening the customer service system and quality service system which are oriented to the idea of "customer demand and quality first" Continues to promote technology research and development, product research and development as well as scientific innovation

Fully respects the legitimate rights and interests of stakeholders, improves the mechanisms for communication with internal and external stakeholders, and cooperates closely with stakeholders

ESG Working Group

The Company ingrains social responsibility concepts in its corporate cultures and daily operations and establishes the Environmental, Social and Governance (ESG) Working Group to coordinate various ESG management efforts, communication and information disclosure tasks, assess ESG risks, ensure the internal management of and control over ESG risks, and report to the Board on the progress and results of ESG work. The General Manager Office is in charge of promoting the implementation of ESG policies and measures across the Company, while all departments and subsidiaries are responsible for the implementation of their respective specific ESG tasks.

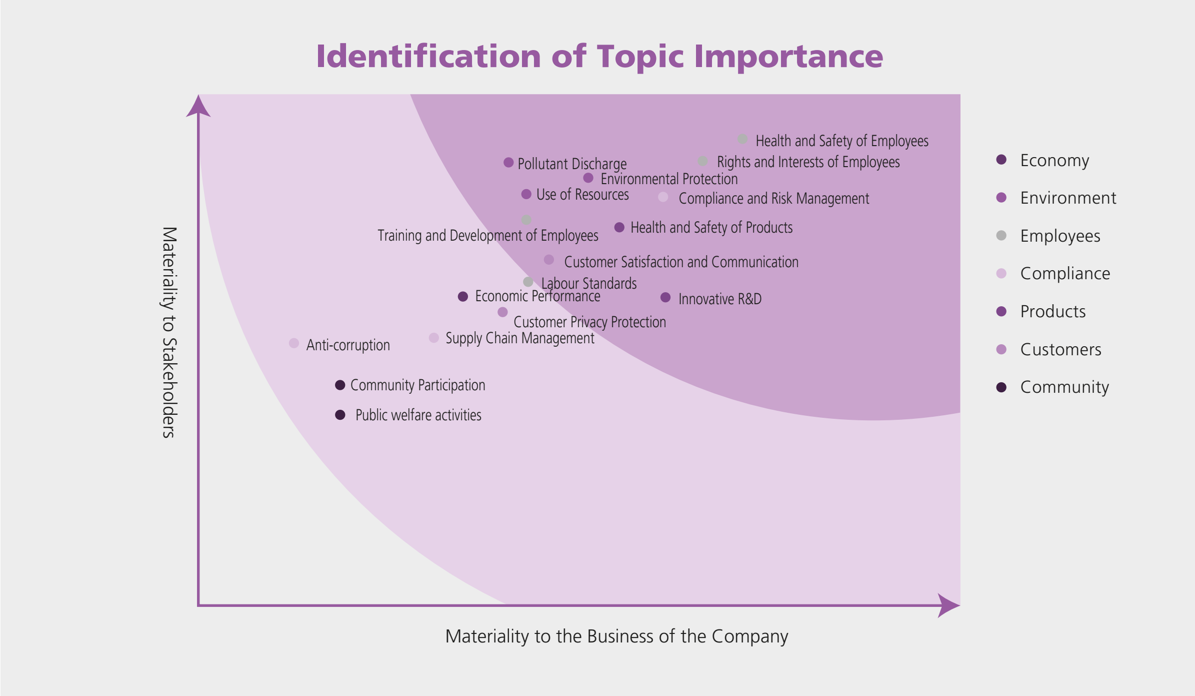
Structure of ESG Working Group



Communication with Stakeholders and Analysis of Materiality Issues

The Company keeps improving its communication mechanisms with internal and external stakeholders and fully respects and promptly responds to reasonable appeals of stakeholders while enhancing cooperation with stakeholders. The Company gains insights into appeals, opinions and suggestions of different parties through active communications with stakeholders, and includes their concerned issues into the Company's operation and decision-making processes to improve the Company's operational management capabilities and sustainability competitiveness.

The Company collects materiality issues concerned by key stakeholders through questionnaires, interviews and other forms by following the identification, evaluation and screening procedures, analyzes and prioritizes such issues according to their materiality, so as to assess the materiality while fully taking into stakeholders' appeals and concerns. In 2019, the Company identified materiality issues in environmental, social and governance aspects based on feedbacks from stakeholders and expert opinions, and focused on the disclosure of such information in the report.



Materiality Matrix of Huan Yue Interactive

3 FOR SHAREHOLDERS: COMMITTED TO RESPONSIBLE BUSINESS OPERATIONS

The Company strictly complies with national laws and regulations, carries out all production and operation activities legally, effectively carries out risk identification and management, fulfills business ethics, and ensures that the behavior of its management and employees is in line with professional ethics and business ethics to stay committed to responsible business operations.

Summary of Laws and Regulations in Relation to Compliance Operation Responsibility

Aspect	Main laws and regulations
Compliance management	The Criminal Law of the People's Republic of China, the Anti-unfair Competition Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery, China Internal Audit Principles, the Basic Norms for Enterprise Internal Controls, etc.

3.1 Risk Identification and Management

The Company highly values risk identification and control and actively launches related work to accurately identify and strictly control various potential risks that may have an impact on the Company to achieve the Company's strategic development and to improve its value for shareholders. The Company formulates its Internal Audit System to ensure that the financial risks, operational risks and other risks that the Company is exposed to remain within a controllable range.

Through the implementation of audit projects and internal control construction, the Company has accomplished the goals of preventing business risks, standardizing management processes and improving management efficiency from the perspectives of audit management, internal control supervision, risk early warning and process review. In 2019, the post-audit of the Company was replaced by pre-audit and in-process audit, thereby further improving the effectiveness of its audit work.

In addition, the Company organized training for employees to identify and assess risks to better improve employees' risk awareness and further improve the Company's ability in risk management and control.

Internal Audit Procedures of the Company

Audit Planning
- Developing annual audit work plans which are reviewed and approved by the highest management before becoming effective for execution

Audit Preparation
- Launching pre-audit interviews
- Launching business analysis and assessment to identify key points and targets of audit

Auditing
- Collecting audit evidence
- Communicating on issues discovered during auditing

Audit Report
- Developing and presenting audit reports
- Convening external sessions to communicate on audit results

Rectification Follow-up
- Presenting audit notifications for rectification
- Following up on rectification of problems discovered during auditing

3.2 Anti-corruption and Business Ethics

General Disclosure B7, KPI B7.1, B7.2

The Company integrates "legal compliance" into various levels of its operational management and formulates the Integrity and Honesty Management Procedures, the Anti-Corruption System, the Gift Management System, the Sunshine Procurement System and other system documents to enforce pre-event prevention and post-event supervision on anti-corruption management with strict standards.

The Company stipulates the code of conduct for employees in its Code of Professional Ethics for Employees and launches anti-corruption training for all employees in a bid to eliminate corruption, fraudulent practices, bribery and other illegal and undisciplined behaviours. All employees of the procurement department of the Company are required to sign the Undertaking of Integrity and Self-Discipline for Employees, which sets out the anti-corruption and anti-bribery principles for employees. In addition, the Company requires its suppliers to sign the Sunshine Agreement to eliminate all commercial bribery.

The Company maintains the General Manager's mailbox and the General Manager's email as whistle-blowing channels for anti-corruption and other issues. The reported information is collected by a designated person and reported to the General Manager so as to ensure the privacy of the whistle-blower and information security. During the reporting period, there was no act in violation of any laws or regulations, or any corruption lawsuit.

The Company launched a special lecture on the prevention of legal risks involved in business operations

In 2019, in order to allow employees to develop a better understanding of the laws and regulations involved in the its operations, the Company invited lawyers to conduct the "Lecture on the Prevention of Legal Risks in Business Operations" at its premises. The training program was targeted at sales, procurement, technology and R&D related business employees covering contract laws, intellectual property protection regulations, confidentiality regulations, labour employment, anti-fraud and other related laws and regulations and countermeasures, thereby improving the employees' awareness and knowledge of legal risk prevention.

4 FOR CUSTOMERS: PROVIDING PRODUCTS AND SERVICES OF HIGH STANDARDS

As a leading domestic manufacturer of high-precision copper plates and strips, the Company regards products and customer service as its main responsibility and endeavours to deliver quality and reliable products and premium service. The Company improves product quality through technological innovation and safeguards customers' rights and interests.

Summary of Laws and Regulations in Relation to Product and Customer Service Responsibility

Aspect	Main laws and regulations
Product quality	The Product Quality Law of the People's Republic of China, etc.
Customer service	Law of the People's Republic of China on the Protection of Consumer Rights and Interests, etc.
Protection of intellectual property rights	The Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, etc.

4.1 Product Quality

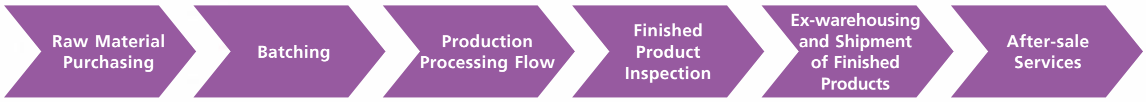
Quality control

General Disclosure B6, KPI B6.2, B6.4

The Company regards product quality as the core of its own development and carries out the production of copper alloy strips in strict compliance with the requirements of the Tin-Plated Copper and Copper Alloy Strip (GB/T 37568-2019), the Copper and Copper Alloy Strip (GB/T 2059-2017), the Copper and Copper Alloy Sheet" (GB/T2040-2047) and other national standards. In 2019, the Company updated a number of quality management systems such as the Standards for Selection and Acceptance of Raw Materials, the Inspection Procedures for Finished Products, and the Procedures for In-process Sampling, so as to ensure the effective implementation of quality control measures in all aspects of production under the latest production requirements.

The Company has passed the ISO9001: 2015 certification and the IATF16949 certification for automotive products, and formulated its quality management procedures in accordance with the certification system requirements and system specifications as an effort to ensure effective quality control throughout the process from launch of raw materials, production process to ex-factory process of finished products.

Quality Management Process



The technical quality centre of the Company sets annual goals for quality management based on production conditions, and takes the return rate and genuine product yield as key performance indicators to track and continuously push forward the completion progress of the goals. In 2019, the Company continued to improve the product yield by optimising the casting process parameters, promoting clean production and enhancing the quality awareness of its employees.

Supply Chain Management

General Disclosure B5, KPI B5.1, B5.2

The Company values supply chain management as an important link to ensure product quality and regards suppliers as important partners. The Company observes "impartial, transparent and good-faith" sunshine purchase standards, and strictly implements the Procurement Control Procedures in bidding and procurement processes to review and assess new suppliers and in-cooperation suppliers.

The Company also requires suppliers to provide necessary qualifications as well as ISO 9001 quality certification and environmental protection inspection reports. The Company conducts risk assessments on suppliers. As for the suppliers that have been assessed to be of "medium" and "high" risk, the Company conducts on-site assessment in their factories to ensure their compliance with the Company's standards in terms of quality and environmental performance.

In respect of raw material procurement practice, the Company implements green procurement principles by giving priority to the use of recycled metal materials and reusable and recyclable materials. In addition to its quality requirements for suppliers, the Company imposes requirements on all suppliers that they comply with the EU RoHS Directive 2011/65/EU and the Environmental Protection and Hazardous Substance Management Regulations of the Company, and signs the Guarantee Letter for Environmental Protection and Hazardous Substances with suppliers of materials for direct production. When there is a change in the materials provided by a supplier, the Company will assess the quality and hazardous substances of its materials, and will also require the new materials to meet the Company's quality and environmental protection requirements.

Supplier Management Requirements

New suppliers

- The Company conducts preliminary selection and qualification assessment for new suppliers in accordance with the Basic Information Form of Suppliers, and also conducts on-site assessment for certain suppliers.
- Prior to entering into cooperation with the Company, a new supplier is subject to a standardized procedure of product sample testing, sample procurement, batch procurement and regular procurement.

In-cooperation suppliers

- The Company maintains the Qualified Supplier List and carries out continuous monitoring. It confirms and updates the information on the qualified suppliers each year.
- The Company conducts annual and monthly audits on the qualified suppliers, which cover, amongst others, product pass rate, quality and on-time delivery rate.
- For a supplier that has failed the annual audit, the Company issues a Supplier Improvement Report, requesting it to complete rectification within 3 months, failing which its qualification as a qualified supplier will be revoked.
- If a supplier's product pass rate is lower than 98%, the Company will issue a Supplier Improvement Report to the supplier in writing, requesting rectification.

4.2 Customer Service

Customer Service

KPI B6.2

The Company is committed to growing into a professional and trustworthy partner, focusing on customer service quality and customer satisfaction while providing high-quality products. The Company has formulated the Customer Service Control Procedures, the Procedures for Handling Customer Complaints, Returns and Claims and other institutional documents and has been constantly making revisions. It has also established and improved customer service work procedures to create a channel for customers to make inquiries, seek counseling and file complaints, standardized internal feedback processes for customer communication, inquiries, complaints and return of products. In addition, the Company strengthens the training of its employees in the marketing system to continuously improve their professional competence and customer service capabilities. In 2019, the customer complaint handling rate of the Company was 100%.

Customer Complaint Handling Procedures

1. A complaint being received by a business representative
2. Forwarding the email or filling in the Contact Form for Customer Feedback Handling
3. Being handled by the Customer Service Department
4. Being submitted to the Inspection Division of the Procurement Centre if the complaint involves a transportation quality issue
5. Being submitted to the Quality Control Division, the Process Technology Division and relevant business units if the complaint involves a poor quality issue
6. Customer complaint being resolved and replied

The Customer Service Control Procedures of the Company stipulates that a customer satisfaction survey shall be conducted each year, with survey contents including, amongst others, quality, service and delivery time. The number of survey copies and the recovery rate are monitored to ensure the effectiveness of customer satisfaction surveys. The Satisfaction Survey Form so distributed covers all product types of the Company. In 2019, the Company conducted two satisfaction surveys with an overall satisfaction rate of 94.30%.

In order to further improve the quality of customer service, the Company actively participates in various exchange activities in the industry to keep abreast of the development trends and customer needs in the industry, such as activities organised by the Electrical Plug Components Branch of the China Electronic Components Association, the first 5G Thermal Management Industry Summit Forum in 2019, the 2020 General Assembly of Shenzhen Connector Industry Association. In addition, the Company held the 2019 Customer Conference to strengthen communication and exchanges with customers.

The Company launched 2019 Customer Conference

In June 2019, the Company launched its first customer conference which last two days. The conference was targeted at 78 customer groups in various application sectors, at which speeches were delivered by industry experts on the historical development background and the demand trends of the industry and materials, the Company's new products were launched by the Company's leaders, and research results were presented by university experts on material requirements and new material applications against the backdrop of the current development trends, allowing customers to develop a better understanding of the Company and enabling the Company to better understand customers' real needs.

Customer Privacy Protection

KPI B6.5

The Company has established a customer information and privacy protection mechanism, and formulated the "Property Control Procedures for Customers or External Suppliers" and the "Administrative Procedures for Honesty and Integrity" and other systems to impose strict punishment on employees' behaviour of seeking improper benefits by using the Company's resources, business channels, trade secrets and intellectual property rights, in an effort to protect customer privacy and information security. The Company signs confidentiality agreements and documents with customers where required, keeps customers' information strictly confidential, and fully respects and protects the legitimate privacy rights and interests of customers. In 2019, the Company had no customer information or privacy compromise.

4.3 Technology Innovation

Technology Innovation

The Company regards technological innovation as one of its important guarantees for providing high-quality products, and actively carries out quality research and product R&D guided by new technologies. In 2019, the Company formulated various management systems including the Implementation Measures for Incentives for Scientific and Technological Achievements, the Administrative Measures for the Innovation Awards of the Company and the Special Incentive Schemes to strengthen incentive measures for R&D personnel and actively encourage R&D efforts.

The Company has established nationally recognised enterprise technology centers and municipal-level enterprise research institutes, and maintains long-term industry-university-research cooperation with the General Research Institute for Nonferrous Metals of Beijing, Central South University, Jiangxi University of Science, Ningbo Branch of Chinese Academy of Ordnance, Ningbo Institute of Materials Technology & Engineering under Chinese Academy of Sciences, Northeastern University and other institutions of higher learning. Based on its existing product techniques and processes and in view of its development needs, the Company continuously improves its innovative research and development capabilities, and carries out process improvement of and technical research on fine-grained bronze and brass technology and high-performance copper-nickel-silicon alloy material yield.

In 2019, the Company's major research projects were carried out as planned, including the "Key Technology Development and Industrialization-Oriented Technology Research of High-Strength and High-Conductivity Copper Alloy Strips", a major industrialization demonstration project in Ningbo, the "Research on Application of Materials Genome", a major special fundamental research project in Ningbo, and the "Research and Development of High-Performance Copper-Nickel-Silicon Alloy materials Based on Material Genetic Engineering", a planned project of Zhejiang Central Science and Technology Service Network of Chinese Academy of Sciences.

In addition, the Company has drafted a number of industry standards and national standards, which have been widely recognized by customers and the society. In 2019, the national standards of the Copper Alloy Plates for Oil-free Bearings (GB/T 37570-2019), the Copper and Copper Alloy Strips for Relays (GB/T 37571-2019), the drafting of which was led by the Company, and the national standard of the Copper and Copper Alloy Tinned Strip (GB/T 37568-2019), the preparation of which the Company participated in, were promulgated.

Protection of Intellectual Property Rights

KPI B6.3

The Company has established an intellectual property management mechanism to strengthen the management and protection of intellectual property rights such as patents, trademarks and confidential information while avoiding infringing on the intellectual property rights of others and protecting the Company's competitive advantages and brand reputation.

In 2019, the Company obtained a number of patents including "a new type of copper strip trimming machine which ensures the balance of cutting quantity on both sides", "a type of high-strength, high-conductivity, stress-resistant slack copper-nickel-silicon alloy material and its preparation method", and "a type of on-line vertical solid solution processing equipment for high-strength and high-elasticity copper-nickel-cobalt-silicon alloy and its processing method". During the reporting period, the Company had no infringement and right protection incidents related to intellectual property rights.

5 FOR EMPLOYEES: BUILDING A HAPPY FAMILY AT WORKPLACE

Taking "employees' happiness" as one of its business concepts and adhering to the people-first principle, the Company actively safeguards legitimate rights and interests of employees, and strives to build a healthy and equal "happy family" at workplace and create a positive occupational environment with a sound career development platform.

Summary of Laws and Regulations in Relation to Employee Responsibility

Aspect	Main laws and regulations
Employment and Basic Rights and Interests	The Labour Law of the People's Republic of China, the Law of the People's Republic of China on Employment Contracts, the Law on the Protection of Minors, the Labour Union Law, the Law of the People's Republic of China on the Protection of Rights and Interests of Women, the Regulations Concerning the Labour Protection of Female Staff and Workers of Zhejiang Province, etc.
Occupational Health and Safe Production	The Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, the Regulations of Zhejiang Province on Prevention and Treatment of Occupational Diseases, etc.

5.1 Protection of Rights and Interests of Employees

Engagement and Basic Rights and Interests of Employees

General Disclosure B1, B4; KPI B1.1, B1.2, B4.1, B4.2

The Company strictly abides by national and local laws and regulations, adheres to fair employment, implements the principle of equal employment and equal pay for equal work for employees of different genders, regions, religions, races and cultures, and prohibits employment of child or forced labour. The Company signs labour contracts with employees according to laws, with both labour contract signing rate and social insurance payment rate of 100% in 2019.

The Company has formulated the System for Employee Promotion and Performance Evaluation, the System for Rest Periods and Vacations and the System for Protection of Rights and Interests of Female Staff to regulate the policies regarding the recruitment, dismissal, working hours, promotion, compensation and benefits of employees and to safeguard their legitimate rights and interests. In 2019, the Company had no violations of laws and regulations related to engagement of employees, nor violations of child or forced labour.

Basic Rights and Interests of Employees

Employment and Termination System

- Recruitment: equal employment, no forced labour
- Termination: severance of labour relationships in written form

Remuneration System

- The minimum wage standard for employees is 1.1 times of the local government-mandated standard;
- The average salary growth rate is far higher than the government-indicative level in Ningbo.

Social Insurance

- The Company pays social insurance and housing provident fund in full and on time for all employees in accordance with related national standards;
- The Company pays housing provident fund and in-commute casualty insurance for employees.

Working Hours and Rest Periods and Vacations System

- Front-line employees are subject to the working hour examination and approval system;
- Employees are entitled to festival subsidies for working overtime during holidays and festivals.

Care for Employees

The Company has been committed to providing a warm working environment for its employees. In 2019, it continued to build a "happy home" by organizing a variety of cultural and sports activities throughout the year, such as New Year's greeting party, networking activities for youth staff, Mid-Autumn Festival gala and Fun Games to enrich the leisure life of employees and create a relaxed, healthy and pleasant working environment.

The Company provides employees with various benefits, including free bus, vehicle subsidies, holiday subsidies, food subsidies, rent allowances. Employees are provided with house purchasing subsidies and house purchasing interest rate subsidies to purchase houses in some areas with an aim to reduce their living pressure in renting and housing. For female employees, in addition to Women's Day holiday, festival activities and festival gifts, the Company provides state-stipulated benefits and Company-exclusive benefits during pregnancy, lactation and confinement periods.

Overview of Employee Benefits

Free bus	Vehicle subsidies	Food subsidies	Rent allowances
High temperature allowances	In-commute casualty insurance	House purchasing subsidies and house purchasing interest rate subsidies	Benefits exclusive to female employees

In addition, the Company selects kindergartens and primary schools with strong comprehensive strengths for employees 'children to ensure the smooth enrollment of children of non-local employees, and provides summer camps and semester tutoring to them every summer. In order to provide timely assistance to employees in need and their families, the Company has established an "Employee Mutual Aid Fund" and formulated the "Xingye Mutual Aid Fund Regulations" to enable the mutual fund to effectively help employees in need. The Company helped and supported 62 employees and employee family members in 2019.

The Company continues to launch Summer camp for employees

Since 2014, the Company launches "Summer Camp" activities every summer to provide children of the Company's employees with a good environment for studying and living in summer vacations, thus eliminating the worries of work for employees with children.

The Company designates one dedicated person to be responsible for the management and coordination of the tutorial class in summer camp. Meanwhile, the Company contacts local elementary schools to invite a group of outstanding teachers as full-time teachers in the supervised class to provide on-site teaching and academic counseling for children, and provides them with a specialized dining area in the cafeteria. In 2019, the sixth summer camp was launched, during which teachers had constantly updated and enriched the curriculum content, and offered various courses such as calligraphy, handicraft and fun English to enrich summer vacation life of children.

Colorful sports activities

The Company organizes employee activities with different themes every month to enrich their spare-time life. In 2019, the Company organized a series of sports activities such as table tennis competition, basketball game, fun sports meeting, theme mountaineering, etc., which promoted communication among employees while strengthening their physiques.

Theme mountaineering activities, started since 2018, are organized for 2-3 times a year with covering approximately 50 employees for each. Employees head to the surroundings of the Company for mountaineering and quality development, helping them to cultivate their team awareness and sense of belonging while exercising and cultivating sentiment.

Communications with Employees

For the purpose of better safeguarding employees' rights and benefits, strengthening democratic communications, and facilitating equal dialogues with employees, the Company has established the labour union, the workers' congress and the internal mediation committee. The labour union and the Company signed the Collective Contract, the Wage Collective Bargaining Agreement and the Agreement on Protection of Female Workers' Rights and Interests. The Company selects female representatives in labour union based on the ratio of female employees. Meanwhile, the Company keeps improving its worker congress system and factory affairs disclosure system, and regularly organizes worker congress and democratic life meetings to ensure employees' rights to know, as well as rights for participation, expression and supervision. In addition, employees can also communicate with the Company's management through channels such as the letter box and e-mail of general manager, employee reception day, and employee communication meetings.

The Company holds no less than 4 employee communication meetings each year to understand their demands, solve their difficulties in life and work, help new employees to quickly adapt to the Company's environment. While actively adopting reasonable opinions put forward by employees during communication, the employee communication meeting makes feedback on the improvement measures and implementation effects of the Company. The Company conducts employee satisfaction surveys twice a year to understand their evaluations and suggestions on the Company, and have communication and give feedback in a timely manner. In 2019, the Company launched an "Undergraduates Symposium" for new college students who have joined the Company to help them better understand and integrate into the collective.

5.2 Training and Development of Employees

General Disclosure B3, KPI B3.1, B3.2

The Company recognizes "do all things conducive to the improvement of the capabilities of employees and the organization" as one of its core values, and regards the growth of employees as the development of the Company and provides a platform for their development and success. The Company has established refined job responsibilities for each employee, and formulated a reasonable training and promotion system to motivate employees to strengthen self-improvement and promote career development with effective evaluation and promotion policies.

In 2019, the Company updated the "Employee Performance Appraisal Program" and "Employee Promotion and Development Management System" to conduct employee assessment and appraisal in a more scientific and fair way to ensure the dual-channel career development of employees.

The Company provides a comprehensive training system for employees, and adopts a combination of internal and external training to improve their comprehensive literacy and professional capabilities in an all-round way.

The Company's Training System

In order to attract more talents, the Company cooperated with the School of Materials Science and Engineering of Jiangxi University of Science and Technology to launch a project of "cultivation of fresh undergraduates" in 2019. The Company provides college students who are selected for orientation training with two stages of training, being corporate cognition, initial position-based skills training and basic skills training, helping them become talents suitable for the Company's development. For those college students selected for orientation with outstanding performance, the Company will follow the "Mentorship Management System" to adopt a mentoring system to carry out subsequent training for them as reserve talents of the Company.

The Company conducts leadership training for the management

In July 2019, the Company carried out a training program themed "Management Role Recognition and Positioning" for its middle and senior management with a total of 8 hours, covering thought management, role mentality, role literacy, role responsibilities, etc.

This training would help middle and senior management employees to gain better understanding of the professionalization, role recognition and positioning of the management, to systematically improve their professional qualities as management.

5.3 Occupational Health and Safe Production

Safety Production

General Disclosure B2, KPI B2.3

The Company has established a leading group for safe production, environment protection and occupational health. With the Company's leadership as the directly accountable person, the leading group has set up an office and management personnel for safe production, environment protection and occupational health and stipulated the functions of members at all levels of the group, to ensure the internal safety production work of the Company with a standardized system. The Company adjusts and issues the "Safe Production, Environmental Protection, Occupational Health Assessment Measures" on an annual basis, and adopts the principle of "Safety-foremost with prevention-oriented and comprehensive treatment" to carry out performance appraisal on occupational health in safe production and environmental protection for all functional departments of the Company throughout the year.

In 2019, the Company carried out various work safety activities around the theme of "preventing risks, eliminating hidden dangers and reducing accidents". The Company, together with various departments, workshops and groups signed the "Responsibility Letter for Safety Production, Environmental Protection, Occupational Health Goals in 2019" with refined goals and defined duties of personnel at all levels.

The Company conducted a security risk assessment for itself pursuant to the requirements under the "Basic Method for the Identification and Evaluation of Production Safety Risks in Ningbo Enterprises (Trial)", and completed various works, including the establishment of a security risk list, the mapping of enterprise security risk distribution, the setup of a significant risk bulletin board, the production of risk notification card for job security, formulation and implementation of major risk control measures.

In order to promote the implementation of safe production targets, the Company requires all departments and workshops to conduct at least one routine self-inspection of safety every month, monitor and evaluate major hazards on a regular basis, and conduct inspections on fire protection facilities in the factory area on a yearly basis. The Company regularly carries out various emergency exercises, including emergency exercises for natural gas leakage handling, emergency exercises for fire, and emergency exercises for hazardous waste leakage handling with a total of 12 trainings and 7 exercises covering various areas, which has laid a foundation for the Company's safe and stable internal operation.

The Company conducts emergency exercise for handling liquid ammonia leakage

In May 2019, the Company launched an emergency exercise for handling simulated leakage of liquid ammonia stations to effectively prevent and timely eliminate major environmental hazards and safety risk accidents caused by the sudden leakage of dangerous chemicals, thus ensuring the Company's safe operation. During the exercise, the Company's emergency rescue team responded positively and the exercise went smoothly. While verifying the emergency plan, this exercise improved the coordination ability of various emergency departments and personnel and strengthened employees' safety awareness and ability to respond to emergencies.

Occupational Health

General Disclosure B2, KPI B2.1, B2.2, B2.3

The Company has formulated a comprehensive occupational health management system in accordance with laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Regulations on Prevention and Control of Occupational Diseases of Zhejiang Province. The system covers 13 sub-systems including the Prevention and Control System against Occupational Disease Hazards, the Warning and Notification System of Occupational Disease Hazards, and the Application System of Occupational Disease Hazard Programs, aiming to protect the occupational health of employees through standardized management. The Company's occupational health and safety management system complies with the GB/T 28001-2011idt OHSAS18001:2007 standard.

The Company identifies the occupational disease risks based on the detection results of each job position with occupational disease risk, and distributes protective equipment to employees who are at risk of occupational diseases based on the existing occupational disease risks. Meanwhile, the Company fully considers the protection for employees in the selection of equipment, conducts technical review on the noise index of newly purchased equipment, and uses soundproof rooms and low-noise motors to reduce the noise impact of existing equipment. It also prefers relatively closed pickler, and installs acid mist absorption device to reduce the harm of acid mist to the human body. For positions with occupational disease risk, the Company provides pre-job, on-job and off-job physical examinations, and regularly organizes on-the-job personnel to perform physical examinations for occupational diseases.

In addition, the Company hires professional organizations to carry out regular safety education and training for employees and publicize the safety management system to strengthen employees' safety awareness.

The Company carries out relevant training on hazardous chemicals

The Company hires one certified safety engineer to conduct trainings themed "Knowledge related to the storage and use of hazardous chemicals" for its employees to improve their knowledge and skills in the storage and use of hazardous chemicals and ensure reasonable and safe use, covering introduction of the requirements of hazardous chemicals during transportation and packaging, rescue knowledge on contacting or inhaling related chemicals and emergency treatment methods for chemicals leakage.

6 FOR THE ENVIRONMENT: FULFILLING GREEN DEVELOPMENT RESPONSIBILITIES

The Company attaches great importance to the impact on the ecological environment from its industrial development. It constantly optimizes its production techniques, transforms its environmental protection facilities, strengthens recycling, and promotes resource conservation and pollutant emission reduction, to strive to pursue coordinated development of economic benefits and the natural environment.

Overview of laws and regulations related to environmental management

Area	Name of main laws and regulations
Pollutant emissions	the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, the Law of the People's Republic of China on Prevention and Control of Soil Pollution, and the Administrative Measures for Soil Environment of Land for Industrial and Mining Use (for Trial Implementation), etc.

6.1 Environmental Management

Establishment of and Improvement in Environmental Management System

General Disclosure A3, KPI A3.1

With adherence to the concept of "energy conservation, low carbon, green development", the Company has established a sound environmental management system in accordance with the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, and the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution. In 2019, the Company conducted compliance assessment of laws and regulations related to safety, environment and occupational health, during which more than 270 laws, regulations and standards were identified based on the scope of its business activities to ensure that the Company strictly complies with such requirements.

The Company has passed the ISO 14001:2004 (GB/T 24001-2004) certification for environmental management system, and formulates the Environmental Management Procedures, the Waste Management System, the Waste Water Management Regulations and other governing documents to offer Company-wide institutional basis for execution of environmental management policies in various operational activities. The Company developed the "Contingency Plan for Environmental Emergencies" and reported it to the environmental protection administration of the new area for record to cope with possible sudden environmental pollution incidents and improve the Company's environmental emergency responses.

In 2019, the Company obtained the Global Recycling Standard (GRS) 4.0 certification to ensure the use of recyclable materials in products and reduce the environmental impact of production.

Environmental Impact Analysis

General Disclosure A3, KPI A3.1

The Company focuses on copper processing and purchases high-quality copper raw materials such as refined copper or bright copper to produce high-precision copper plates and strips through a full set of smelting, rolling, heat treatment, cleaning, finishing and packaging processes. Main resources consumed in the production process include water, electricity and natural gas; main discharges produced include exhaust gas, production waste water, and hazardous and non-hazardous waste. The Company properly disposes of all kinds of discharges and sets up an automatic monitoring system in the factory area to monitor and control discharges in real time.

Resource Input	
Key Performance	2019
Water Resources	
Water consumption (cubic metre)	345,076
Water consumption per unit output value (cubic metres/RMB10,000 output value)	0.60
Energy	
Power consumption (MWh)	185,680
Power consumption per unit output value (cubic metres/RMB10,000 output value)	224.39
Natural gas consumption (cubic metre)	9,272,825
Natural gas consumption per unit output value (cubic metres/RMB10,000 output value)	11.21
Packaging Materials	
Total packaging materials used for shipment of finished products (tonne)	2,359

Melting
Rolling
Thermal treatment

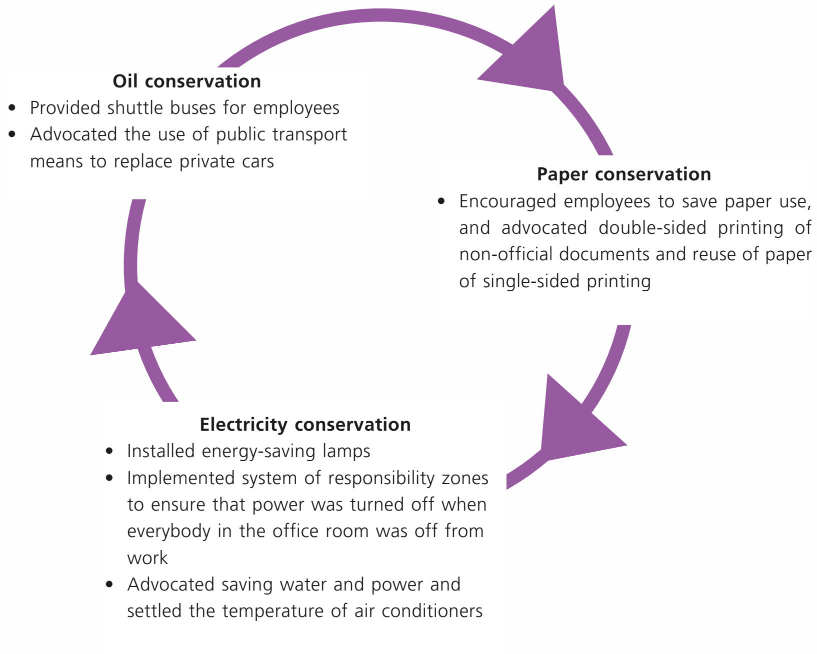
Cleaning
Finishing
Packaging

Emission Output	
Key Performance	2019
Waste Water and Exhaust Gas	
Waste water discharge (cubic metre)	257,698
Waste water discharge per unit output value (cubic metres/RMB10,000 output value)	0.45
Wastes	
Total hazardous wastes (tonne)	1,247
Production of hazardous wastes per unit output value (tonne/RMB10,000 output value)	0.00022
Total non-hazardous wastes (tonne)	4,613
Production of non-hazardous wastes per unit output value (tonne/RMB10,000 output value)	0.0080
Greenhouse Gases	
Total emissions of greenhouse gases (tonne (carbon dioxide equivalent))	146,681.07

Green Office Operation

In addition to the production link, the Company also attaches importance to the green operation of office. It improves employees' awareness for energy conservation and emission reduction through daily management of energy conservation and consumption reduction in all premises and improvement of relevant systems, in a bid to make energy conservation and consumption reduction a conscious action of all Company members.

The Company adopts and promotes various energy conservation and emission reduction measures, provides shuttle buses for employees, and advocates the use of public transport means to replace private cars. It promotes rationed use of electricity, installs energy-saving lamps, and properly configures the temperature of air conditioners. It also encourages double-sided printing of non-official documents to reduce resource consumption and waste discharge during office operations. In addition, the Company invests in greening of the factory area every year to create a more beautiful and healthy working environment for employees.



6.2 Resources Conservation

Use of Energy

General Disclosure A2, KPI A2.1, A2.3

Main energy consumed during the Company's production includes electricity and natural gas, and energy consumption is also the main source of its greenhouse gas emissions. The Company has formulated the management systems such as the Energy Management System, the Energy Saving and Consumption Reduction Control Procedures and the Administrative Measures for Electricity Consumption to implement the specific responsibilities of each department for energy conservation and efficient use of energy. The Company annually formulates energy management targets, adopts measures including purchase of energy-saving equipment and transformation of old equipment to reduce energy consumption, with its energy target management effectively implemented and greenhouse gas emissions reduced. Furthermore, the Company further reduced the impact of its own operations on climate change by replacing traditional energy with solar energy.

Major Measures and Results of Energy Conservation

Project of electricity conversion to gas adopted for cleaning line	Comprehensive utilization project of recycling residual heat of bell-type furnace	Hot rolling recycling pool project	Central water station renovation project
• In 2019, the Company adopts electricity conversion to gas for handling acid pickling line, which increases natural gas consumption by 1.05 million m³ and reduces the electricity consumption by 12.82 million kWh, resulting in more energy savings.	• The degreasing box, equipped with 3 coil heaters, participates in heating with a steam engine, with recycling an average of 176,000 kWh of heat per month.	• Base on the water temperature curve and temperature range, the self-made control panel automatically controls the start and stop of 4 cooling fans of the cooling tower to achieve electricity conservation with an average of 8,916 kWh of electricity per month.	• The recycling water pumps which can be shut down replaces the normally open ones, with saving an average of 57,456 kWh of electricity per month.

Use of Water Resources and Packaging Materials

General Disclosure A2, KPI A2.2, A2.4, A2.5

The Company uses the municipal water supplied by Hangzhou Bay Water Supply Company in Hangzhou Bay New Area, indicating a small risk in running problems for getting suitable water sources. The Company has formulated management systems such as the "Provisions for the Management of Water for Production and Living", which stipulates measures for water conservation. The deionized water loop recycling project, launched by the Company in 2019, has improved the water efficiency management in the workshop and resulted in the expected reduction in annual water consumption of 150,000 m^3 as compared with that before such renovation.

The Company's packaging materials mainly include woven fabrics, wooden frames, paper cores, nylon bags, interlinings, etc. The Company has formulated corresponding management regulations for the use of packaging materials to reduce waste during use. In 2019, the Company adopted recycling of packaging materials such as wooden frames and paper cores to improve the reuse rate and reduce the consumption of packaging materials. In 2019, the Company recycled and reused a total of 3,818 wooden frames and a total of 6,241.8 kg of paper cores.

6.3 Discharge Reduction

Waste Water Discharge Management

Waste water generated by the Company primarily includes production waste water and domestic waste water. The production waste water includes alkali rinsing waste water, acid pickling waste water and emulsified waste water. Main pollutants are pH, suspended solids, oil, and COD pollutants. Main sources of domestic waste water are drainage from office buildings, offices, cafeterias, bathhouses, etc. The Company has established a waste water treatment system to use treated water as circulating water as needed, or discharge the up-to-standard treated water in a uniform manner through the discharge outlet.

The Company has formulated the Waste Water Management Regulations and regularly measures and monitors waste water discharge to ensure compliance waste water discharge. The Company has formulated the Emergency Preparedness and Response Procedures to ensure timely responses to emergencies that may incur discharge or leakage of hazardous water pollutants in the factory and prevent serious water pollution incidents.

In 2019, the Company renovated the reuse water treatment station to improve its treatment effect on wastewater and reduce COD emissions by 60%. After the renovation, the discharge of heavy metals from the water treatment station was effectively lowered, reducing the impact of the Company's production waste water on the outside world.

Waste Water Discharge Categories and Standards

Scope of Discharge	Category of Discharge	Discharge Standard in Effect	Standard Compliance
Production waste water	pH, COD_{Cr}, BOD_5, suspended solids, oil pollutants	Level 3 of Comprehensive Sewage Discharge Standard (GB8978-1996)	Compliant
	Ammonia nitrogen and total phosphorus	Waste water Quality Standards for Discharge to Municipal Sewers (CJ343-2010)	Compliant
	First-category pollutants, e.g. lead and nickel etc.	The maximum allowed discharge concentration of first-category pollutants in Comprehensive Sewage Discharge Standard (GB8978-1996)	Compliant
	Total tin	Discharge standard of Comprehensive Sewage Discharge Standard of Shanghai City (DB31/199-1997)	Compliant
	Total iron	Discharge standard of Concentration Limits of Total Iron in Acid Pickling Waste Water (DB33-844-2011)	Compliant
	Total copper	Level 1 of Comprehensive Sewage Discharge Standard (GB8978-1996)	Compliant

Exhaust Gas Discharge Management

The pollutants contained in the Company's production fumes are primarily the exhaust gas generated by annealing furnaces, the oil mist generated during rolling and the acid mist generated during acid pickling.

In 2019, the Company carried out technical transformation of the dedusting system in the production link, adopted multiple-combined dedusting systems, and replaced the original ordinary refractory bags with film-type ones, which greatly improved the dust removal efficiency. After the technological transformation, the total particulate matter emissions were reduced by more than 50% compared to that before such transformation.

Exhaust Gas Emission Categories and Standards

Scope of Discharge	Category of Discharge	Discharge Standard in Effect	Standard Compliance
Exhaust gas	Particulate matter, lead, tin, nickel	Level 2 of Air Pollutant Emission Standard for Industrial Kilns and Furnaces (GB9078-1996) Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012) Level 2 standard for new pollutant sources in Comprehensive Air Pollutant Emission Standard (GB16297-1996) Emission Standard of Pollutants for Regenerated Copper, Aluminium, Lead and Zinc Industry (GB31574-2015)	Compliant

Waste Management

Non-hazardous waste produced by the Company primarily includes slag, copper scrap, and leftover bits and pieces in workshops. The Company has established the Recycling Resources Division to entrust qualified organizations for uniform handling of waste paperboards, waste plastics and other materials and selling and sold iron plate to recycling companies to strengthen effective use of resources. In 2019, the Company recycled a total of 1,238.9 tonnes of non-hazardous waste.

Hazardous waste produced by the Company primarily includes fly ash from smelting, copper-containing sludge, and waste mineral oil. For hazardous wastes, the Company strictly implements the "Standards for Control of Hazardous Waste Storage Pollution", uses qualified waste disposal units to dispose of such waste, and handles special approval formalities in accordance with the law while strictly implementing the double-entry system for hazardous waste transfers.

Major Measures and Results of Waste Reduction Projects

Highly-concentrated liquid waste treatment facility	Acid mist treated by wet alkali liquor spray
The Company has purchased new highly-concentrated liquid waste treatment equipment, and newly established a highly-concentrated liquid waste treatment station to specifically handle liquid waste with a higher COD content, producing concentrates with a concentration ratio of 8-10% of the original liquid volume, which can be handled as waste oil. Meanwhile, such new process requires no flocculants, which reduces the production of saponified solution produced by flocculants/sludge degreasing from fluid treatment station.	The acid mist from hot-dip tinning line adopts wet alkali liquor spray treatment to replace the original SDG dry acid mist adsorbent. The waste water generated from wet alkali liquor spray treatment can be reused after being handled by the Company's water recycling station, which greatly reduces the SDG adsorbent and the production of hazardous waste.

7 FOR THE COMMUNITY: CONTINUOUSLY GIVING BACK TO AND JOINING HANDS WITH THE SOCIETY FOR A WIN-WIN SITUATION

General Disclosure B8, KPI B8.1, B8.2

The Company adheres to the operation philosophies of "employee-pleased, customer-impressed, shareholder-satisfied and society-recognized" and regards "society-recognized" as an integral part in its corporate cultural system by actively launching various public service activities in the community and better reward the society with practical actions.

7.1 Active Engagement in Social Public Services

The Company is devoted to serving the society and has built the "Aramina" volunteer service team to actively launch various public service activities and donations for communities. In 2019, the "Aramina" volunteer service team carried out site cleaning activities after the Ningbo International Marathon, and formed a marathon volunteering cheerleading team, etc. to support the local community events.

The Company has been committed to social welfare activities in the field of education, and established the "Xingye Copper Scholarship" at Jiangxi University of Science and Technology to encourage undergraduates to study hard and make a success. In addition, the Company and Jiangxi University of Science and Technology launched a training program for oriented students and jointly established a graduate education practice base to achieve the combination of the efforts of enterprises, universities and research institutions. In 2019, the Company continued to donate scholarships worth RMB50,000 to Jiangxi University of Science and Technology.

Since 2014, the Company has been donating scholarships and fellowships to Dongyi Primary School in the community. In 2019, the Company donated fellowships worth RMB30,000 to Dongyi Primary School.

"Aramina" volunteers carries out site cleaning activities after Ningbo international marathon

In October 2019, under the leadership of the Company's management, 25 members of the "Aramina" volunteer service team came to Li Ning Sports Park, where the Ningbo International Marathon was held, to carry out garbage cleaning activities. Under the guidance of the management staff, the volunteer service team carried out volunteer service activities for nearly 3 hours at an outdoor site with a gross floor area of more than 10,000 square meters, and collected approximately 15 large bags of garbage, making contributions to the Ningbo marathon.

8 ZHANGYUE TECHNOLOGY: CREATING THE BEST EXPERIENCE FOR USERS

Zhangyue Technology adheres to the artisan spirit of "creating a competitive game experience" and always provides the best-quality game products and experiences for its masses of users.

Overview of laws and regulations related to the gaming business segment

Area	Name of main laws and regulations
Protection of intellectual property rights	the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China, the Regulations for the Protection of Computer Software, the Regulation on Internet Information Service, etc.
Responsible marketing	the Advertisement Law of the People's Republic of China, the Interim Measures for Online Game Management, etc.
Customer Privacy Protection	the Interim Measures for Online Game Management and the Notice on Implementing the 'Interim Measures for Online Game Management', etc.
Anti-addiction to online games	the Notice Regarding the Implementation of Anti-addiction System on Online Games in Protecting the Physical and Mental Health of Minors and the Notice Regarding the Commencement of Authentication of Real Names for Anti-addiction System on Online Games, etc.

8.1 Responsibility for Products

Products R&D and Protection of Intellectual Property Rights

Zhangyue Technology keeps providing high-quality game products for the masses of users and continuously optimizes users' gaming experience through R&D and innovation. In 2019, Zhangyue Technology continued to operate popular games such as "Scions of Fate" (《熱血江湖傳》), "the Art of War and Three Kingdoms"（《兵法三國》）, "Ambition of Three Kingdoms 2"（《三國之志2》）and "Bosozoku" (《暴走裝甲》), and launched certain new products, including "Siege Three Kingdoms " (《攻城三國》), "Yu Hun Jiu Xiao" (《御魂九霄》), "Immortal Spell " (《長生訣》) and "Zhe Jiu Shi Xiu Xian" (《這就是修仙》).

In order to encourage employees to actively innovate and develop more high-quality products, Zhangyue Technology formulated the "Rules for Employee Performance Appraisal Implementation" and "Regulations for Employee Reward and Punishment", based on which the Company formulates incentive plans for R&D personnel.

Zhangyue Technology has formulated and strictly implemented the "Intellectual Property Rights Management System", regularly conducted trainings related to the protection of intellectual property rights for all employees, and signed "Confidentiality Agreement" with newly recruited employees pursuant to the regulations. Coordinated measures are taken to strengthen the management and protection of intellectual property right while avoiding infringing on the intellectual property rights of others.

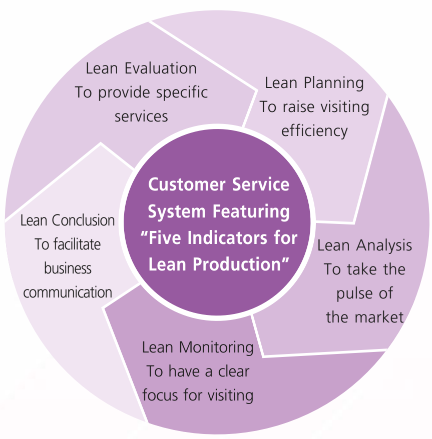
Creating a Good Gaming Environment

Zhangyue Technology is committed to providing users with a healthy and harmonious gaming environment. In the game scene, sensitive information and illegal information would be automatically blocked. Meanwhile, Zhangyue Technology proactively promotes a healthy game concept of "moderate entertainment, rational consumption", and launches a "game consumption reminder" service. There are prominent texts reminding users of moderate games and rational consumption during the login process and the main interface after entering the game. In terms of marketing, Zhangyue Technology strictly complies with the laws and regulations and the "Self-discipline Convention for China's Game Industry" to standardize internal marketing and promotion behaviors and protect the legitimate rights and interests of consumers.

Zhangyue Technology focuses on protecting the physical and mental health of game players, and adopts various measures to minimize or eliminate the possible negative effects of games on players, especially minors. Zhangyue Technology requires game players to use a valid ID for real-name authentication to identify their true age. An anti-addiction system has been applied to make it impossible for minors to spend long time online to gain the growth of personal abilities in the game, thus effectively controlling the online time of minor users and changing bad game habits that are detrimental to the physical and mental health of minors.

Customer Service and Customer Privacy Protection

Zhangyue Technology is committed to improving the customer service quality and has developed a customer service system featuring "five indicators for lean production" that is strictly implemented and constantly optimized. It attaches high importance to communications with customers, and carries on customer follow-up management to understand customer feedback and give positive responses. Zhangyue Technology has established a "Customer Complaint Plan Mechanism" and "Complaint Handling Process" to address customer concerns in a timely manner, enhance cooperation and communication with customers, and achieve common development with customers.



In order to keep improving the gaming experience of customers, Zhangyue Technology continuously improves the server performance to ensure its stability, while upgrading the game's image quality, gameplay features and efficiency of operation to improve product quality and customer satisfaction. In addition, the game customer service personnel resolves questions and comments online from users throughout the year to help them deal with various game issues in a timely manner.

Zhangyue Technology organizes customer satisfaction surveys twice a year in the form of "User Satisfaction Survey Questionnaire" with not less than 200 respondents in each survey. The user satisfaction survey covered approximately 300 respondents result for 2019 with a result of 87 points.

Zhangyue Technology has formulated the "Personal Information and Privacy Protection Policy for Game Users" to strengthen its management over acquisition and use of users' personal information and privacy and better protect users' information security. Customer service personnel will inspect user information and privacy protection work on a regular basis, and timely report any issues discovered to competent departments for solution. During the reporting period, the company had no violations related to user information and privacy compromise.

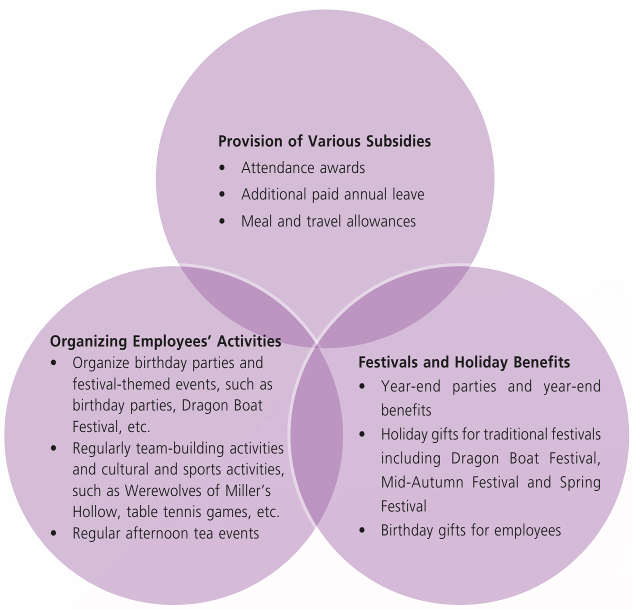
8.2 Responsibility for Employees

Rights and Interests and Benefits of Employees

Zhangyue Technology strictly abides by relevant national laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Law on the Protection of Minors, adheres to equal employment, and pays social insurance and housing provident fund in full and on time for all employees. It does not discriminate against employees by gender, age, region, ethnicity, race and religious beliefs, implements a non-differential compensation system, ensures equal pay for equal work for both male and female employees, and provides an open, equal, warm and energetic working environment for employees.

Zhangyue Technology has developed a "Benefits Management System" covering all employees, and provided them with various subsidies, holiday benefits, etc., and regularly organizes internal activities with various themes to enrich the lives of employees and improve their happiness.

Overview of Benefits Available to Employees of Zhangyue Technology



Communications with and Development of Employees

Based on the personal development needs of employees, Zhangyue Technology has established a comprehensive compensation and benefit system, and formulated relevant systems such as the "Remuneration Management Measures" and "Rules for Employee Performance Appraisal Implementation". In 2019, Zhangyue Technology revised the "Rules for Employee Performance Appraisal Implementation" to further standardize employee performance management and offer employees benign incentives. The Human Resources Department conducts four quarterly appraisals and one annual appraisal every year to comprehensively considers factors such as employees' work performance, core professional capability and leadership, and develops promotion and salary adjustment plans for employees based on the appraisals.

In addition, Zhangyue Technology adopts a "mentorship" training model to equip all newly recruited employees with work mentors to provide them with work guidance, skills training and appraisals, thus helping new employees better integrate into the collective.

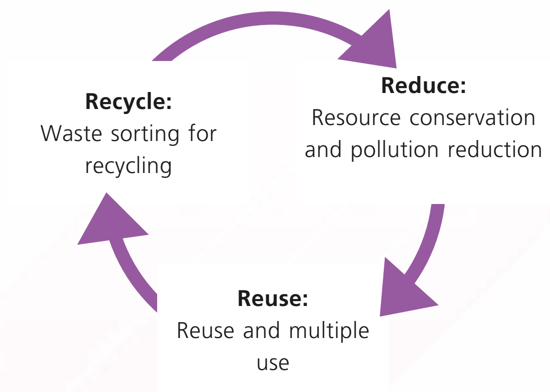
Zhangyue Technology has a smooth communication channel for employees. Employees can communicate with the Company in respect of various aspects such as salary and benefits through various methods, including employee mailbox, CEO face-to-face and communications with the Human Resources Department.

8.3 Responsibility for Environment

Green Office

Zhangyue Technology strictly abides by relevant national laws and regulations on environmental protection. In daily operation, it implements green office in an all-round manner referring to the 3R rules (reducing, reusing and recycling) of circular economy. Its offices adopt measures such as reasonable setting of air-conditioning temperature, promoting water and power conservation, and encouraging paperless procedures to achieve the goal of energy conservation and emission reduction. Meanwhile, the company places green plants in the office area to improve the workplace environment of employees.

Principle of 3R



Measures of Green Office

Resources Conservation

- Advocated saving water and power and rationally setting the temperature of air conditioners
- Switched off the office equipment in a timely manner when it is not in use

Paper Conservation

- Promoted paperless office
- Encouraged employees to save paper and adopt double-sided printing

Low-carbon Travel

- Encouraged employees to use public transport to reduce exhaust gas emissions

8.4 Responsibility for Suppliers and Supplier Compliance Management

Supplier Management

Zhangyue Technology has formulated the "Supplier Management System" to improve the supplier procurement process and the supervision mechanism and regulate management of suppliers. Zhangyue Technology has established a unified material supplier repository and implements a supplier access system. All suppliers are required to fill out the Supplier Survey Form and provide corresponding qualification information for review. Qualified suppliers are required to stay subject to dynamic management including evaluations and assessments on a regular basis.

Compliance Management

Zhangyue Technology adheres to the moral conception and conduct code of being honest and trustworthy, as well as conscientious and responsible, and formulates the "Code of Conduct of Employees for Anti-Bribery and Anti-Corruption". It resolutely puts an end to commercial bribery activities, establishes a sound business order, creates a favorable development environment, and pursues maximum benefits for customers, shareholders, employees and the society. The code of conduct clearly stipulates that employees must comply with anti-corruption laws and regulations, setting forth the mechanisms and procedures for, and providing channels for internal supervision and reporting.

To improve the compliance awareness of all employees, the Human Resources Department organizes at least three anti-corruption and anti-bribery-related training sessions for all employees each year. During the reporting period, the company had no cases of corruption lawsuits filed or concluded by employees.

9 SOCIAL RECOGNITION

Honors and Accredited Certifications in 2019	Issued by
Manufacturing Enterprise for Championship Cultivation of Ningbo City	Ningbo Municipal Commission of Economy and Information Technology
The 61th enterprise in Top 100 Enterprises in Terms of Comprehensive Strength, the 53th in Top 100 Enterprises in Manufacturing (Xingtai) and the 36th in Top 100 Enterprises in Terms of Competitive Strength in Ningbo City	Ningbo Municipal Federation of Industry and Commerce
Major Special Project of "Technological Innovation 2025" in Ningbo	Ningbo Municipal Commission of Economy and Information Technology
The first company in Ningbo listed in the first batch of "National Trade Union Love Trusteeship Class" members in China	All-China Federation of Trade Unions
Key Technology Transformation Project in Ningbo	Ningbo Municipal Commission of Economy and Information Technology

10 KEY QUANTITATIVE PERFORMANCE TABLE

10.1 Environmental Performance

Environmental Performance of Shengtai Group

Indicators		Unit	2017	2018	**2019**
Use of Resources					
Power consumption		mWh	208,224	223,639	**185,680**
Power consumption per unit output value		kWh/RMB10,000 output value	272.21	293.89	**224.39**
Natural gas consumption		cubic metre	9,370,359	9,713,130	**9,272,825**
Natural gas consumption per unit output value		cubic metre/RMB10,000 output value	12.25	12.76	**11.21**
Total solar power		kWh	7,103,300	6,747,660	**6,235,260**
Solar power per unit output value		kWh/RMB10,000 output value	9.29	8.87	**10.81**
Oil consumption of shuttle bus and vehicles for employees	Diesel	litre	63,627	74,000	**36,363**
	Gasoline	litre			**37,352**
Water Consumption		cubic metre	619,008	519,657	**345,076**
Water consumption per unit output value		cubic metre/RMB10,000 output value	0.81	0.68	**0.60**
Circulating water consumption		cubic metre	594,248	494,000	**327,923**
Reuse ratio of water resources		%	96	95	**95**

Indicators	Unit	2017	2018	2019
Total packaging materials used for shipment of finished products	tonne	2,485	2,442	**2,359**
Usage of packaging materials used for shipment of finished products per unit output value	tonne/RMB10,000 output value	0.0032	0.0032	**0.0039**
Usage of packaging materials (wood) for finished products	tonne	1,597	1,781	**1,720**
Usage of packaging materials (wood) per unit output value	tonne/RMB10,000 output value	0.0021	0.0023	**0.0028**
Usage of packaging materials (corrugating medium) for manufactured products	tonne	647	536	**518**
Usage of packaging materials (corrugating medium) per unit output value	tonne/RMB10,000 output value	0.0008	0.0007	**0.0009**
Emissions				
Waste water discharge	cubic metre	415,974	363,760	**257,698**
Waste water discharge per unit output value	cubic metre/RMB10,000 output value	0.54	0.48	**0.45**
Production of hazardous wastes	tonne	650	850	**1,247**
Production of hazardous wastes per unit output value	tonne/RMB10,000 output value	0.0008	0.0011	**0.0022**
Production on non-hazardous wastes	tonne	892	1,060	**4,613**
Production of non-hazardous wastes per unit output value	tonne/RMB10,000 output value	0.0012	0.0014	**0.0080**
Total non-hazardous wastes recycled for reuse	tonne	650	760	**1,039**
Total non-hazardous wastes buried	tonne	242	300	**260**
Times of fines imposed due to violation acts in discharge of pollutants	time	0	1	**0**
Total emissions of greenhouse gases (Scope 1)	tCO2e	20,457.74	20,766.47	**20,276.32**
Total emissions of greenhouse gases (Scope 2)	tCO2e	141,751.96	149,768.67	**126,404.75**
Total emissions of greenhouse gases	tCO2e	162,209.70	170,535.14	**146,681.07**
Emissions intensity of greenhouse gases	tCO2e/RMB10,000 output value	0.21	0.22	**0.25**

Environmental Performance of Zhangyue Technology

Indicators	Unit	2017	2018	2019
Green Office				
Total water consumption	tonne	2,547	4,234	**5,009**
Water consumption per unit floor area	tonne/sq m	3.00	4.98	**5.89**
Total electricity consumption	kWh	87,953	87,098	**92,160**
Power consumption per unit floor area	kWh/sq m	103.6	102.5	**108.4**

10.2 Social Performance

Number of Employees

Indicators		Unit	2017	2018	2019
Number of Employees					
Total employees		person	1,259	1,290	**1,334**
By gender	Male	person	1,037	1,071	**1,090**
	Female	person	222	219	**244**
By employment type	Labor contract system	person	1,203	1,233	**1,288**
	Other employment forms[1]	person	56	57	**46**
By age group	>50 years old	person	170	172	**199**
	30 to 50 years old	person	710	776	**799**
	<30 years old	person	379	342	**336**
By region	Mainland employees	person	1,251	1,281	**1,326**
	Foreign employees	person	8	9	**8**

Note:

1 Other employment forms include employees rehired after retirement and part-time employees

Regular Employment and Labor Performance of Shengtai Group

Indicators		Unit	2017	2018	**2019**
Employment and Employee Rights and Interests					
Employee turnover rate[1]		%	14.48	24.78	**23.10**
By gender	Female	%	20.36	17.50	**21.86**
	Male	%	29.51	26.06	**23.35**
By age group	>50 years old	%	6.09	12.50	**10.19**
	30 to 50 years old	%	20.62	20.87	**21.20**
	<30 years old	%	44.47	37.55	**33.12**
By region	Mainland employees	%	22.21	24.83	**23.10**
	Foreign employees	%	0	0	**0**
Number of labor dispute events		dispute	0	0	**0**
Care for Employees					
Fund input for all kinds of subsidies, free shuttle bus and dormitory accommodation		RMB10,000	165	258	**278**
Number persons who benefit from all kinds of subsidies, free shuttle bus and dormitory accommodation		person	2,580	2,598	**2,612**
Employee Satisfaction Survey Result		score	89.7	88.9	**77.0**
Fund input for greening the plant area		RMB10,000	29.0	28.0	**30.0**
Occupational Health and Safety					
Number of employees in posts exposed to occupational disease risk		person	417	422	**431**
Number of employees suffering occupational diseases		person	0	0	**0**
Incidence of occupational disease		%	0	0	**0**
Percentage of employees receiving occupational physical examination among those who are engaged in work in which occupational health risk may exist		%	100	100	**100**
Number of work-related fatalities		person	0	0	**0**
Ratio of work-related fatalities		%	0	0	**0**
Lost days due to work injury		day	400	830	**740**
Total input for safety operation[2]		RMB10,000	985	650	**752**
Attendance of safe production training[3]		time	2,865	5,381	**2,300**
Number of safe production trainings		time	86	110	**96**
Number of emergency drill activities		time	3	6	**7**
Number of employees participating in emergency drill activities		time	207	157	**245**
Number of events of violation in safety laws and regulations		time	0	0	**0**
Number of major accidents		accident	0	0	**0**

Indicators	Unit	2017	2018	2019
Training and Development of Employees				
Input for employee training	RMB10,000	53.9	51.0	**64.0**
Percentage of employees trained	%	100	100	**100**
Percentage of male employees trained	%	100	100	**100**
Percentage of female employees trained	%	100	100	**100**
Percentage of junior employees trained	%	100	100	**100**
Percentage of middle level employees trained	%	100	100	**100**
Percentage of senior management employees trained	%	100	100	**100**
Average training hours per employee	hour	26.6	25.0	**26.8**
Average training hours per male employee	hour	27.3	24.8	**26.4**
Average training hours per female employee	hour	25.8	26.1	**28.6**
Average training hours per junior employee training	hour	26.1	28.0	**25.6**
Average training hours per middle level employee	hour	46.0	45.0	**33.0**
Average training hours per senior management employee	hour	35.0	40.0	**37.6**

Note:

1. The employee turnover rate is calculated by the following formula:

$$\text{Employee turnover rate} = \frac{\text{Total number of retired and separated employees}}{\text{Total number of employees at the period end + Total number of retired and separated employees}} \times 100\%$$

2. The total input for safety operation in the above table is primarily used for granting of articles for labour protection, addition of safety protection measures, training of safe production and education, safety evaluation counselling, contingency plan assessment, exercises and fire-fighting facilities among others;

3. The Company reinforced its internal safety and operational procedure training in 2018 with the training frequency greatly increased compared with previous years. As a result, the attendance of trainings and the number of training hours grew significantly, but there was no substantial increase in training cost.

Supply Chain Management Performance of Shengtai Group

Indicators		Unit	2017	2018	2019
Total number of suppliers[1]		supplier	211	217	**806**
By region	Local suppliers	supplier	195	211	**800**
	Overseas suppliers	supplier	16	6	**6**
Number of visits		time	0	36	**20**
Number of suppliers assessed from the environment, labour and moral perspectives based on the Company's supplier assessment system		supplier	3	12	**20**
Compliance training hours for supplier		hour	18	20	**8**
Number of persons participating in compliance training from supplier		person	9	10	**16**

Note:

1. The total number of suppliers for 2017 and 2018 includes major suppliers for our procurement of supplies; the total number of suppliers for 2019 includes all cooperating suppliers.

Product Responsibility Performance of Shengtai Group

Indicators	Unit	2017	2018	2019
Percentage of products that must be recalled for safety and health reasons in the total products that have been sold or delivered	%	0	0	**0**
Number of customer complaints due to product quality or service	time	1,338	1,041	**1,246**
Complaint handling rate[1]	%	100	100	**100**
Fund input for technology innovation and R&D	RMB10,000	11,062	12,900	**12,883**
National awards and subsidies for technology innovation and R&D	RMB10,000	2,173.9	1,015.0	**1,093.8**
Number of patent applications	patent	5	3	**9**
Number of patents granted	patent	6	4	**3**

Note:

1. The complaint handling rate in this report was calculated using the following formula:

$$\text{Complaint handling rate} = \frac{\text{Number of handled complaints}}{\text{Total number of complaints received}} \times 100\%$$

Anti-corruption Performance of Shengtai Group

Indicators	**Unit**	2017	2018	**2019**
Number of corruption lawsuits brought against the Company and its employees	time	0	0	**0**
Number of reports of corruption from employees	time	0	0	**0**
Attendance of employees participating in compliance training	time	2,952	2,980	**2,930**

Community Investment Performance of Shengtai Group

Indicators	**Unit**	2017	2018	**2019**
Total input in public services	RMB10,000	16.32	18.92	**19.94**
Of which: Input in philanthropic donations		–	–	**10.54**
Number of employees participating in volunteer activities	time	92	180	**150**
Total hours of employees participating in volunteer activities	hour	1,760	2,636	**2,395**

Product Responsibility Performance of Zhangyue Technology

Indicators		**Unit**	2017	2018	**2019**
Technology Innovation	Number of software production rights	patent	4	7	**42**
	Fund input for technology innovation and R&D	RMB10,000	898.75	582.29	**219.78**
Responsibility for Products	Number of customer complaints due to product quality or service	time	0	0	**2**
	Customer complaint handling rate	%	–	–	**100**
	Number of user satisfaction surveys	time	2	2	**2**
	User satisfaction score	score	80	84	**87**

11 CONTENT INDEX OF GUIDELINES OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect, General Disclosure and Key Performance Indicators		Sections
Subject Area A. Environment		
Aspect A1. Discharge		
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	6 For Environment: Fulfilling Green Development Responsibilities The Company has always been committed to reducing greenhouse gas emissions and has not yet developed greenhouse gas emission policies
KPI A1.1	The types of emissions and respective emissions data	6.3 Reduction of Discharge 10 Key Quantitative Performance Table
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	10 Key Quantitative Performance Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	10 Key Quantitative Performance Table
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	10 Key Quantitative Performance Table
KPI A1.5	Description of measures to mitigate emissions and results achieved	6.3 Reduction of Discharge
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	6.3 Reduction of Discharge

Aspect, General Disclosure and Key Performance Indicators		Sections
Aspect A2. Use of Resources		
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials	6 For Environment: Fulfilling Green Development Responsibilities
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	10 Key Quantitative Performance Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	10 Key Quantitative Performance Table
KPI A2.3	Description of energy use efficiency initiatives and results achieved	6.2 Resources Conservation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	6.2 Resources Conservation
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	6.2 Resources Conservation 10 Key Quantitative Performance Table
Aspect A3. The Environment and Natural Resources		
General Disclosure A3	Policies on minimising the issuer's significant impact on the environment and natural resources	6 For Environment: Fulfilling Green Development Responsibilities
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	6.1 Environmental Management 8.3 Responsibility for Environment

Aspect, General Disclosure and Key Performance Indicators		Sections
Subject Area B. Social		
Aspect B1. Employment		
General Disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	5 For Employees: Building a Happy Family at Workplace
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	10 Key Quantitative Performance Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region	10 Key Quantitative Performance Table
Aspect B2. Health and Safety		
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	5 For Employees: Building a Happy Family at Workplace
KPI B2.1	Number and rate of work-related fatalities	10 Key Quantitative Performance Table
KPI B2.2	Lost days due to work injury	10 Key Quantitative Performance Table
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	5.3 Occupational Health and Safe Production
Aspect B3. Development and Training		
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	5 For Employees: Building a Happy Family at Workplace 8.2 Responsibility for Employees
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	10 Key Quantitative Performance Table
KPI B3.2	The average training hours completed per employee by gender and employee category	10 Key Quantitative Performance Table

Aspect, General Disclosure and Key Performance Indicators		Sections
Aspect B4. Labour Standards		
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of child and forced labour	5 For Employees: Building a Happy Family at Workplace 8.2 Responsibility for Employees
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Protection of Rights and Interests of Employees
KPI B4.2	Description of steps taken to eliminate such practices when discovered	5.1 Protection of Rights and Interests of Employees There was not any violation
Aspect B5. Supply Chain Management		
General Disclosure B5	Policies on managing environmental and social risks of the supply chain	8.1 Responsibility for Products
KPI B5.1	Number of suppliers by geographical region	10 Key Quantitative Performance Table
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	4.1 Product Quality
Aspect B6. Products Responsibility		
General Disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, adversity, labelling and privacy matters relating to the products and services provided and methods of redress	4 For Customers: Providing Products and Services of High Standards 8.1 Responsibility for Products
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	4.1 Product Quality 10 Key Quantitative Performance Table
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	4.2 Customer Service 8.1 Responsibility for Products 10 Key Quantitative Performance Table

Aspect, General Disclosure and Key Performance Indicators		Sections
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	4.3 Technology Innovation
KPI B6.4	Description of quality assurance process and recall procedures	4.1 Product Quality 8.1 Responsibility for Products
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	4.2 Customer Service 8.1 Responsibility for Products
Aspect B7. Anti-Corruption		
General Disclosure B7	Information on: (a)the policies; and (b)compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	3 For Shareholders: Committed to Responsible Business Operations 8.4 Responsibility for Suppliers and Supplier Compliance Management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	3.2 Anti-corruption and Business Ethics 10 Key Quantitative Performance Table
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	3.2 Anti-corruption and Business Ethics
Aspect B8. Community Investment		
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	7 For Community: Continuously Giving Back to and Joining Hands with the Society for a Win-win Situation
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	7.1 Active Engagement in Social Public Services
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	7.1 Active Engagement in Social Public Services 10 Key Quantitative Performance Table

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company with its principal subsidiaries engaged in manufacturing and sales of high precision copper plates and strips, trading of raw materials, provision of processing services, the management of a portfolio of investment and development, operation and distribution of internet and mobile gaming products.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the financial statements.

BUSINESS REVIEW

A review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position as well as the outlook of the Company's business are provided in the "Chairman's Statement" and "Management Discussion & Analysis" on pages 4 to 5 and pages 6 to 15 of this annual report. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report particularly in the section of "Management Discussion & Analysis" on page 15 of this annual report. Environmental policies and performance, compliance with the relevant laws, rules and regulations as well as relationships with employees, customers and suppliers are provided in this report and "Environmental, Social and Governance Report" from pages 29 to 72 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the accompanying financial statements on page 97.

The Board does not recommend the payment of any dividend for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company (the "**Shareholders**") who are entitled to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 16 June 2020 to 19 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 15 June 2020.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 199 to page 200.

REPORT OF THE DIRECTORS

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group as at 31 December 2019 are set out in note 23 to the financial statements.

SHARE CAPITAL AND RESERVES

Details of the movements in the share capital and reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2019 calculated under the Companies Laws of the Cayman Islands amounted to RMB794,549,000.

ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

Xingye Investment Holdings Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), Mobilefun Limited (the "**Vendor**") and Mr. Ren Hao, Mr. Tong Xin and Mr. Yang Jiong as the guarantors, entered into a sale and purchase agreement dated 21 June 2016 (the "**SPA**"), pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of Funnytime Limited ("**Funnytime**") at the initial consideration of HKD186,000,000.20 ("**Consideration**") subject to certain price adjustment mechanism. The Consideration shall be satisfied (i) as to HKD116,000,000 in cash; and (ii) as to HKD70,000,000.20 by issuance of 77,777,778 ordinary shares of HKD0.10 each ("**Consideration Shares**") to be issued and allotted by the Company pursuant to the general mandate granted by shareholders at the annual general meeting held on 27 May 2016. Pursuant to a letter dated 4 August 2016 from The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") addressed to the Company, the Stock Exchange granted, on conditional basis, the approval for the listing of and permission to deal in the Consideration Shares. According to the SPA, Funnytime shall achieve a performance target of net profit (after adjustments for pre-agreed items as stipulated in the SPA) of RMB18,000,000, RMB22,000,000 and RMB30,000,000 for the years ended 31 December 2016, 31 December 2017 and 31 December 2018, respectively, and the total anticipated net profit shall be RMB70,000,000. Funnytime's adjusted net profit has fulfilled its performance targets for year 2016 and 2017, but did not achieve the performance target for year 2018. The total adjusted net profit for three years from year 2016 to year 2018 is RMB45,780,262, which is less than the total anticipated net profit of RMB70,000,000 by RMB24,219,738. In April 2017 and April 2018, 19,996,667 and 24,445,556 consideration shares were allotted and issued to the Vendor respectively.

Given Funnytime and its subsidiary have failed to meet the performance target for the year ended 31 December 2018, according to the consideration adjustment mechanism under the SPA, the Vendor shall repay the Purchaser the repayment amount of HKD40,135,567 (the "**Repayment Amount**") with respect to the cash portion, and the remaining number of Consideration Shares to be issued to the Vendor has been reduced to 6,424,734 shares of the Company (the "**Unissued Shares**"), being the Unissued Shares which are withheld by the Company pending the settlement of the Repayment Amount.

On 23 January 2020, the Company, the Purchaser, the Vendor, and Mr. Ren Hao and Mr. Yang Jiong (being the guarantors) entered into the settlement deed (the "**Settlement Deed**") with respect to the settlement of the Repayment Amount owed by the Vendor to the Purchaser, pursuant to which: (i) the Company shall cancel the issuance of, and be relieved from the obligation to issue, the Unissued Shares at the cancellation price of HKD0.80 per share of the Company (the "**Unissued Share Cancellation**"); (ii) the Company shall buy back the sale shares (i.e. 41,000,000 shares of the Company) from the Vendor at the buy-back price of HKD0.80 per share of the Company (the "**Share Buy-back**"); and (iii) the Vendor shall repay the residual repayment amount (i.e. HKD2,195,779.80) in cash to the Company (the "**Residual Repayment Arrangement**").

The special resolution approving the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back) was duly passed by the independent shareholders of the Company at the extraordinary general meeting held on 9 March 2020.

Details of the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back), the Unissued Share Cancellation and the Residual Repayment Arrangement are set out in the Company's announcement dated 23 January 2020 and the Company's circular dated 13 February 2020.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group has always paid great attention to and maintained a good working relationship with its upstream raw material suppliers, and has been providing quality professional and systemic customer services for its downstream customers. The aforementioned suppliers and customers are good working partners creating value for the Group. Details of key relationships with stakeholders, including employees, customers and suppliers, etc. are set out in Environmental, Social and Governance Report of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the aggregate revenue from sales of goods attributable to the five largest customers and the largest customer of the Group accounted for approximately 15.8% and 5.5% of the Group's aggregate revenue from sales of goods, while the aggregate purchases attributable to five largest suppliers and the largest supplier of the Group accounted for approximately 41.3% and 17.1% of the Group's aggregate purchases.

At no time during the year have the Directors, their close associates or any Shareholder (whom to the knowledge of the Directors owns more than 5% of the Company's total issued shares) had any interests in such major customers or suppliers.

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 Share Award 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 of 18 April 2016. 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 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.

During the year ended 31 December 2019, no new shares had been subscribed by the Trustee and a total of 789,000 shares of the Company were acquired by the Trustee pursuant to the rules and trust deed of the Share Award Scheme and no share had been granted to Selected Employee(s) and no share had been vested under the Share Award Scheme. Accordingly, since the Adoption Date and up to 31 December 2019, there were 3,497,000 shares held in trust under the Share Award Scheme. As announced by the Company on 13 December 2018, the vesting dates of the awarded shares granted on 13 December 2017 in respect of tranches for 2018 and 2019 were postponed for one year to 13 December 2019 and 13 December 2020, respectively (the "**Postponed Vesting Dates**"). As announced by the Company on 26 November 2019, the Postponed Vesting Dates were further postponed for one year to 13 December 2020 and 13 December 2021, respectively. In addition, the vesting of the remaining 300,000 shares granted on 26 May 2017 was also postponed and will be dealt with together with the remaining awarded shares granted on 13 December 2017.

Movement of the Share Award Scheme are set out in note 29(c) to the financial statements.

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, 5 May 2016, 13 December 2018 and 26 November 2019 relating to the Share Award Scheme.

SHARE OPTION SCHEME

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

The principal terms of the Share Option Scheme are as follows:

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons (as defined hereinafter) for their contribution to, and continuing efforts to promote the interests of, our Company and to enable the Group to recruit and retain high-calibre employees.

Eligible person(s) include(s) (i) any directors (whether executive or non-executive, including any independent non-executive director) or employee (whether full time or part time) of any member of the Group; (ii) consultant, adviser, supplier or customer of any member of the Group; and (iii) any other group of classes of participants which the Board may, from time to time in its absolute discretion, consider appropriate on the basis of such participants' contribution or potential contribution to the development, growth or benefit of the Group or any member of it.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme shall not in aggregate exceed 10% of the total issued shares of the Company, which is equivalent to 81,111,595 shares as at the date of adoption of Share Option Scheme.

As at the date of this report, a total of 81,111,595 shares of the Company (representing approximately 9.48% of the issued share of the Company as at the date of this report) may be issued upon exercise of all options which may be granted under the Share Option Scheme.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. A consideration of HKD1.00 is payable within 28 days on acceptance of an offer of the grant of options.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to an eligible persons (other than those independent non-executive directors and a director who is a substantial shareholder) in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant. Any further grant of options in excess of this limit shall be subject to the approval of Shareholders at a general meeting. The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to an eligible persons who is a director (being a substantial Shareholder) or an independent non-executive director, or any of their respective associates, in any 12-month period up to the date of grant shall not (i) exceed 0.1% of the shares of the Company in issue as at the date of grant; and (ii) having an aggregate value, based on the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on each of the relevant date(s) on which the grant(s) of such options is made to such eligible person, in excess of HKD5 million.

The subscription price of a share of the Company in respect of any particular option granted under the Share Option Scheme shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Subject to early termination by the Company at general meeting or by the Board of Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption, i.e. 27 May 2016. The remaining life of the Share Option Scheme is approximately 6 years.

No options had been granted, exercised, lapsed, cancelled or outstanding under the Share Option Scheme during the year.

DIRECTORS

The Directors who had held office during the year and up to the date of this report were:

Executive Directors

Mr. HU Changyuan *(Chairman)*
Mr. HU Minglie *(Chief Executive Officer)*
Mr. REN Hao *(resigned on 23 September 2019)*
Mr. ZHU Wenjun

Non-Executive Director

Mr. DAI Jianchun

Independent Non-Executive Directors

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

Pursuant to Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. HU Changyuan, Mr. HU Minglie and Dr. LOU Dong shall retire from their office by rotation at the forthcoming annual general meeting and, being eligible, offered themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence pursuant to Rule 3.13 of the Listing Rules, and considers that each of the independent non-executive Directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had entered into a service contract with the Company with effect from their respective date of appointment until terminated in accordance with the terms of the service contracts. Under the service contracts, either party may terminate such contract by giving to the other not less than three months' prior notice in writing.

Each of non-executive Directors of the Company (including independent non-executive Directors) had entered into an appointment letter with the Company for a term of 3 years until terminated by either the Company or non-executive Director (including independent non-executive Director) by giving not less than two months prior notice in writing.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation) save as disclosed herein.

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

As at 31 December 2019, the interests and short positions of the 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 (the "**SFO**"), which have been notified to the Company and 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 were as follows:

Interest in Long Position in Shares of HKD0.10 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%
	Interest of a controlled corporation/ corporate interest	13,213,000 *(Note 3)*	–	1.54%
	Beneficial owner/personal Interest	300,000	200,000 *(Note 4)*	0.06%
HU Minglie	Beneficial owner/personal Interest	2,603,000	1,000,000 *(Note 4)*	0.42%
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)*	0.02%
LOU Dong	Beneficial owner/personal interest	100,000	100,000 *(Note 4)*	0.02%

Notes:

1. The percentages are calculated based on the total issued shares of 855,558,173 as at 31 December 2019.

2. These 265,200,000 shares were held by Luckie Strike Limited and Come Fortune International Limited which was 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 which was founded by Mr. HU Changyuan. Mr. HU was deemed to be interested in these shares by virtue of the SFO.

3. These 13,213,000 shares were hold by Regency Success Limited, which was 100% controlled by Mr. HU Changyuan, Mr. HU was deemed to be interested in these shares by virtue of the SFO.

4. These underlying shares (unlisted and physically settled) 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 2020 and 13 December 2021 respectively. Details of the said grant and the extension of vesting dates are set out in the announcements of the Company on 13 December 2017, 13 December 2018 and 26 November 2019 respectively and the movement of award shares is set out in note 29(c) to the financial statements.

Save as disclosed above, as at 31 December 2019, 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 TO PURCHASE SHARES OR DEBENTURES

Other than disclosed in the section of "Share Option Scheme" above, at no time during the year was the Company, its parent company (if any), or any of its subsidiaries or fellow subsidiaries a party 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, 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 Debentures") 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)*	Interest of a controlled corporation/Corporate interest	239,400,000 (L)	–	27.98%
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	278,713,000 (L)	200,000 (L)	32.60%
bostone Group Limited	Beneficial owner/Beneficial interest	128,379,000 (L)	–	15.01%
Xie Shicai *(Note 5)*	Interest of a controlled corporation/Corporate interest	128,379,000 (L)	–	15.01%
Ma Jiafeng *(Note 5)*	Interest of a controlled corporation/Corporate interest	128,379,000 (L)	–	15.01%
Mobilefun Limited *(Note 6)*	Beneficial owner/Beneficial interest	44,442,223 (L)	33,335,555 (L)	9.09%
Ren Hao *(Note 6)*	Interest of a controlled corporation/Corporate interest	44,442,223 (L)	33,335,555 (L)	9.09%
	Beneficial owner/Beneficial interest	300,000 (L)	200,000 (L)	0.06%

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 31 December 2019.

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 (formerly known as Barclays Wealth Trustees (Singapore) Limited). Dynamic Empire Holdings Limited was deemed to be interested in all the shares in which Luckie Strike Limited and Come Fortune International Limited are 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 239,400,000 shares was Nomura Singapore Limited. Nomura Holdings Inc., through its 100% controlled corporations 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), is interested in 265,200,000 shares which were held by Zedra Trust Company (Singapore) Limited (formerly known as Barclays Wealth Trustees (Singapore) Limited) as trustee. Zedra Trust Company (Singapore) Limited was 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 was 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 (unlisted and physically settled) represent the awarded shares granted to Mr. HU Changyuan under the Share Award Scheme.

5. The shares were held by bostone Group Limited which was 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 Mr. Xie Shicai owns the rest 34.33% equity. Both Ms. Ma Jiafeng and Mr. Xie Shicai are deemed to be interested in the shares held by bostone Group Limited by virtue of the SFO. To the best knowledge of the 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. These 44,442,223 shares are held by Mobilefun Limited ("Mobilefun") and 33,335,555 underlying shares, representing the potential shares will be issuable to Mobilefun pursuant to SPA. Mr. Ren Hao controls 72% in Mobilefun. Accordingly, Mr. Ren Hao is deemed to have interest in these 44,442,223 shares and 33,335,555 potential shares held by Mobilefun under the SFO.

   On 23 January 2020, the Company, Mobilefun, Mr. Ren Hao and others entered into the Settlement Deed with the transactions contemplated thereunder (including but not limited to the Share Buy-Back) given Mobilefun has failed to meet the undertaking regarding the performance target of Funnytime Limited and its subsidiaries. Mobilefun's interest in the 33,335,555 potential shares has been reduced by 26,910,821 shares to 6,424,734 shares. For details, please refer to the section headed "Issue of Consideration Shares Under General Mandate" above in this report and the Company's announcement dated 23 January 2020.

   The 200,000 underlying shares (unlisted and physically settled), held by Mr. Ren Hao, represent the awarded shares granted to him under the Share Award Scheme.

Save as disclosed herein, as at 31 December 2019, so far as the Directors are aware, there were no other person, other than the Directors and chief executive of the Company, 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.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to "Share Award Scheme" and "Share Option Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, subject to relevant laws, every Director shall be indemnified out of the assets of the Company against all losses and damages, etc. which he/she may sustain or incur in or about the execution of his/her duties in respect of his/her office or otherwise in relation thereto.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors and directors of subsidiaries of the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance in relation to the Company's business to which the Company, any of its subsidiaries, its holding company or its fellow subsidiaries was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors were interested in any business apart from the Group's businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group during the year.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Continuing Connected Transactions

On 21 June 2016, Xingye Investment Holdings Limited, a wholly-owned subsidiary of the Company ("**Xingye**"), Mobilefun Limited (the "**Vendor**") and Mr. REN Hao, Mr. TONG Xin and Mr. YANG Jiong as the guarantors, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") in relation to acquisition of the entire issued share capital of Funnytime Limited by Xingye which constituted a disclosable transaction of the Company (the "**Acquisition**"). Mr. TONG Xin was relieved in July 2018 from acting as one of the guarantors after his disposal of all his interest in the Vendor to Mr. REN Hao.

Funnytime Limited is an investment holding company which holds the entire issued share capital of Soul Dargon Limited ("**Soul Dargon**"), which in turn holds the entire equity interest of Hefei Yueyou Network Technology Co., Ltd. (合肥悅遊網絡科技有限公司) ("**Hefei Yueyou**") which through varies structured contracts (the "**Structured Contracts**"), has effective control over Hefei Zhangyue Network Technology Co., Ltd. (合肥掌悅網絡科技有限公司) ("**Hefei OPCO**"), and enjoys the economic interests and benefits of the Hefei OPCO. Please refer to the paragraph headed "Structured Contracts" below for the detail of the Structured Contracts.

Immediately after the completion of the Acquisition on 5 August 2016, each of Funnytime Limited, Soul Dargon and Hefei Yueyou has become a wholly-owned subsidiary of the Group. Mr. REN, being a party to the Structured Contracts, was one of the shareholders of the Vendor and Hefei OPCO and an Independent Third Party when the Sale and Purchase Agreement was entered into. He was appointed as an executive Director on 18 October 2016 and has therefore become a connected person of the Company. Mr. REN resigned as an executive Director on 23 September 2019, but still remains as a connected person of the Company pursuant to Rule 14A.07(2) of the Listing Rules as at 31 December 2019.

Whilst the terms of the Structured Contracts remain unchanged, the continuing connected transactions thereunder have therefore become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules in respect of the Structured Contracts. In the event that the Structured Contracts are varied or renewed, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

The continuing connected transactions mentioned above have been reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Company in this annual report in accordance with Rule 14A.56 of the Listing Rules as below:

(i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Other than the continuing connected transactions disclosed as above, details of the related party transactions of the Group are set out in note 32 to the financial statements. Those related party transactions constituted exempted connected transactions under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 789,000 shares of the Company at a total consideration of HKD417,000 (equivalent to RMB359,000) during the year.

STRUCTURED CONTRACTS

On 1 July 2016, Hefei Yueyou Network Technology Co., Ltd. (合肥悅遊網絡科技有限公司) ("**Hefei Yueyou**"), Mr. REN Hao and Mr. LI Zhe (an Independent Third Party) (collectively the "**VIE Equity Owners**") entered into certain structured contracts, namely (i) an exclusive management and consulting agreement (獨家管理諮詢協議), (ii) shareholders' voting trust agreement (股東表決權委託協議), (iii) share purchase option agreement (股權購買權協議), (iv) equity pledge agreement (股權質押協議) and (v) power of attorney ancillary to the foregoing (授權委託書), (vi) VIE equity owners' commitment letter (承諾函) and (vii) spouse consent letter (配偶同意函) (collectively the "**Structured Contracts**") by the VIE Equity Owners and spouses thereof to enable the financial results, the entire economic benefits and the risks of the businesses of the Hefei Zhangyue Network Technology Co., Ltd. (合肥掌悅網絡科技有限公司) ("**Hefei OPCO**") to flow into Hefei Yueyou and to enable Hefei Yueyou to gain management control over the operation of Hefei OPCO.

Hefei Yueyou and Shenzhen Zhangyue Network Technology Co., Ltd. (深圳掌悅網絡科技有限公司) (the "**OPCO Subsidiary**", collectively the "**PRC Operating Entities**"), a wholly-owned subsidiary of the Hefei OPCO, are principally engaged in the development and operation of internet and mobile gaming products. The registered owners of Hefei Yueyou are Mr. LI Zhe and Mr. REN Hao who beneficially own 99% and 1% of the equity interest of Hefei Yueyou respectively. Hefei Yueyou is an indirectly wholly-owned subsidiary of Funnytime Limited which had been acquired by Xingye Investment Holdings Limited, a wholly-owned subsidiary of the Company, following the completion of the acquisition of Funnytime Limited on 5 August 2016. Please refer to the paragraph headed "Related Party Transactions and Connected Transactions – Continuing Connected Transactions" above for detail of the acquisition.

Pursuant to the Structured Contracts, Hefei Yueyou shall, among others, (i) provide Hefei OPCO with exclusive management consultancy services, including among others, software development services, information technology consulting, business information consulting, corporate management information consulting and investment information consulting which in turns enable Hefei Yueyou to exercise effective financial and operational control over the PRC Operating Entities and receive substantially all of the economic interest returns generated by the PRC Operating Entities in consideration for the business support, technical and consulting services provided by Hefei Yueyou, at Hefei Yueyou's discretion; (ii) act as agents of the VIE Equity Owners to attend the shareholders' meetings of Hefei OPCO which enable Hefei Yueyou to exercise equity holders' voting rights of the PRC Operating Entities; (iii) obtain an irrevocable and exclusive right with an initial period of 10 years to purchase the entire equity interest in the PRC Operating Entities from the respective equity holders. This right automatically renews upon expiry until Hefei Yueyou specifies a renewal term; and (iv) obtain a pledge over the entire equity interest of the PRC Operating Entities from their respective equity holders as collateral security for all of the PRC Operating Entities' payments due to Hefei Yueyou and to secure performance of PRC Operating Entities' obligations under the Structured Contracts.

As a result of the Structured Contracts, the financial results of Funnytime Limited, Soul Dargon Limited, Hefei Yueyou and the PRC Operating Entities (collectively the "**Funnytime Group**") were consolidated by the Company for the period from the acquisition date to 31 December 2016. The revenue, net profit and total assets contributed by the Funnytime Group to the Group amounted to RMB16.6 million, RMB6.2 million and RMB26.5 million for the period from the acquisition date to 31 December 2016. For the year ended 31 December 2019, the revenue, net profit and total assets contributed by the Funnytime Group to the Group amounted to RMB26.7 million, RMB3.2 million and RMB65.5 million.

Reasons for using the Structured Contracts

The Hefei OPCO and OPCO Subsidiary are principally engaged in the development and operation of internet and mobile gaming products, among which the operation of internet and mobile games is considered to be engaged in the provision of value-added telecommunications services and the internet cultural business, a restricted business and prohibited business respectively for foreign investors pursuant to the Guidance Catalogue of Industries for Foreign Investment (2015 Revision) 《外商投資產業指導目錄（2015年修訂）》.

Therefore, to comply with the applicable PRC laws and regulations, Hefei Yueyou, Hefei OPCO and each of the VIE Equity Owners have entered into the Structured Contracts to enable the financial results, the entire economic benefits and the risks of the businesses of the Hefei OPCO to flow into Hefei Yueyou and to enable Hefei Yueyou to gain management control over the operation of Hefei OPCO and OPCO Subsidiary.

The Structured Contracts allow the Group to effectively control the Funnytime Group and therefore recognise and receive substantially all of the economic benefits of the business and the operations of the Funnytime Group.

The risks associated with the arrangements and actions taken by the Company to mitigate the risks

Zhonglun Law Firm, the PRC legal adviser to the Company, (the "**PRC Legal Adviser**"), has issued a legal opinion confirming that each of the Structured Contracts is legally binding and enforceable under the applicable laws of the PRC up to the date of this report. The Company has engaged the PRC Legal Adviser to review the Structured Contracts on an annual or otherwise on a need basis to mitigate the risk of any non-compliance of PRC laws and regulations.

However, there can be no assurance that the PRC government authority would deem these contractual arrangements and/or the Structured Contracts to be in compliance with the licensing, registration or other regulatory requirements, or that the legal requirements or policies that may be adopted in the future (in particular those concerning foreign investment and/or merger and acquisition by foreign investors) would not affect the Structured Contracts and such contractual arrangements. Also, the enforceability may be affected by any applicable bankruptcy, insolvency, fraudulent transfer, reorganisation, moratorium or similar laws affecting creditors' rights generally and possible judicial or administrative actions or any PRC laws and regulations affecting creditors' rights.

Further to the above, in order the mitigate the risks, the Company had also adopted a series of internal measures including, among others, our Chief Executive Officer had conducted regular site visits to Hefei OPCO and conducted personnel interviews and submitted reports to the Board and our Chief Financial Officer had collected monthly management accounts, bank statements and cash balances and major operational data of Hefei OPCO for review, along with other internal control measures as detailed in the announcement of the Company dated 21 June 2016 in relation to the subject matter (the "**Acquisition Announcement**").

Please refer to the Acquisition Announcement for further detail of the terms and conditions of the Structured Contracts, the risks associated with the Structured Contracts and the internal measures of the Company.

For the year ended 31 December 2019, there was no material change in the Structured Contracts. As of the date of this annual report, there is no unwinding of any of the Structured Contracts.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders of the Company.

REPORT OF THE DIRECTORS

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code in Appendix 14 of the Listing Rules during the year ended 31 December 2019. Details of the corporate governance practices of the Company are set out in the Corporate Governance Report in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of its Directors, as at the date of this report, the Company has maintained a public float of not less than 25% of the issued share capital of the Company as required under the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises two independent non-executive Directors, namely, Mr. CHAI Chaoming and Ms. LU Hong and one non-executive Director, namely, Mr. DAI Jianchun. The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2019 and has also discussed audit, risk management, internal control, continuing connected transactions and financial reporting matters including accounting practices and principles adopted by the Group.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 have been audited by KPMG. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Huan Yue Interactive Holdings Limited
HU Minglie
Chief Executive Officer and Executive Director

Hong Kong, 31 March 2020

BIOGRAPHICAL DETAILS OF THE DIRECTORS

EXECUTIVE DIRECTORS

Mr. HU Changyuan, aged 71, is an executive Director and Chairman of the Board of the Company since 13 September 2007. Mr. HU was recognized as a senior economist by the Municipal Personnel Bureau of Zhejiang Province (浙江省人事廳) in 1995. He is the founder of the Group. Mr. HU has more than 29 years of experience in the copper plates and strips industry. He was a committee member of the first council of the China Nonferrous Metals Industry Association (中國有色金屬工業協會) (the "**CNMFIA**"), a member of the People's Political and Consultation Commission of Cixi City (慈溪市政協) and was a representative to the People's Congress of Ningbo City (寧波市人大). Mr. HU was awarded the title of "Labor Model of Ningbo City" (寧波市勞動模範) by Ningbo People's Government (寧波市人民政府) in 1991. In 2005, Mr. HU served as a vice president of the Zhejiang Charity Federation (浙江省慈善總會). In 2005, Mr. HU was awarded Zhejiang Charitable Individual (浙江慈善個人獎) by the People's Government of Zhejiang. He was also awarded the title of outstanding Chinese Entrepreneur (中國優秀企業家) by the Chinese International Hua Shang Association (中國國際華商會) and International Hua Shang Magazine (國際《華商》雜誌社) in 2006. In 2007, he was awarded "Outstanding Contributions to Chinese Charities" (中華慈善事業突出貢獻獎) and the title of "China's Charity Figure" (中華慈善人物) by China Charity Federation (中華慈善總會). Mr. HU is the father of Mr. HU Minglie and a director of Luckie Strike Limited and Come Fortune International Limited, substantial shareholders within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. HU Minglie, aged 38, is an executive Director of the Company and Chief Executive Officer of the Group since 17 November 2014. He graduated from the University of Arizona with a master degree in Optical Science Engineering, and has received a MBA degree from UCLA Anderson School of Management. Mr. HU is the founding partner and chairman of Lighthouse Capital Management LLC (the "**Lighthouse Capital**"), an equity investment fund management company established in Mainland China. At the time when he established Lighthouse Capital, he had been the partner of Tianjin Raystone Taihe Fund Management LLP, another equity investment fund management company established in Mainland China, for more than four years. During his service in Lighthouse Capital, he was responsible for the structuring and management of two funds with assets under management of over RMB300 million. The funds invested in more than 20 growth oriented projects in China and overseas, which were mainly medical, equipment and mobile internet projects. Mr. HU has also actively participated in the charity activities in Mainland China and Hong Kong, and is the director of Cixi Xingye Xi Yang Hong Charitable Foundation and Si Ming Care for Aged and Children Charitable Foundation Limited. Mr. HU is the son of Mr. HU Changyuan.

Mr. ZHU Wenjun, aged 38, is an executive Director of the Company since 18 October 2016 and the Chief Financial Officer of the Company since April 2015. He is also a member of Remuneration Committee of the Company. Prior to joining the Group, he worked with Shanghai Guohe Capital, where he had led private equity investment deals in media, software, internet and financial services sectors. Mr. ZHU has over 13 years of experience of finance, investment and corporate management. He started his career with KPMG assurance services, and also worked at Deloitte Financial Advisory with its Corporate Restructuring Services. Mr. ZHU holds an M.B.A. degree from UCLA Anderson School of Management, and bachelor's degree in law from Shanghai University of International Business and Economics.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. DAI Jianchun, aged 43, is a non-executive Director since August 2015 and a member of Audit Committee and Nomination Committee of the Company since January 2015. He had been an independent non-executive Director and the chairman of Remuneration Committee of the Company from January to August 2015. He was re-designated as a non-executive Director and resigned from the chairman of Remuneration Committee in August 2015. He graduated from the School of Economics and Management at Tsinghua University, with the degree of Bachelor of Engineering in Management Information Systems in July 2000, where he also obtained a Master's Degree in Quantitive Economics in July 2002. Between August 2002 and July 2006, Mr. DAI worked as a portfolio manager in the capital markets department in the headquarters of China CITIC Bank. Mr. DAI then became a manager in Crédit Agricole Corporate and Investment Bank's Hong Kong office until January 2009. Mr. DAI is currently a founding partner of Ferry Venture Capital, a company that performs venture capital for entrepreneurial enterprises with an industry focus on the mobile internet, innovation of products and services through mobile internet (O2O) commerce.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAI Chaoming, aged 50. is an independent non-executive Director of the Company since May 2009. He is the chairman of Audit Committee and Nomination Committee of the Company. He graduated and obtained a Bachelor degree in economics from Shanghai University of Finance & Economics and a Master degree in business administration from Guanghua School of Management of Beijing University. Mr. CHAI is a partner of Raystone Capital Management, LLP, a fund which focuses on private equity investment in China. Mr. CHAI has extensive corporate management and investment experience. Mr. CHAI is an independent non-executive director of Tangshan Jidong Cement Company Limited (stock code: 000401.SZ), a company listed on the Shenzhen Stock Exchange Limited in China.

Dr. LOU Dong, aged 38, is an independent non-executive Director of the Company since August 2015. He is also the chairman of Remuneration Committee and a member of Nomination Committee of the Company. He graduated from Columbia University with a degree of Bachelors of Computer Science in 2004 and obtained a doctoral degree from Yale University in Financial Economics in 2009. Dr. LOU worked as an assistant professor in Finance at the London School of Economics and Political Science from 2009–2015, where he is currently an associate professor (tenured professor) in Finance. Dr. LOU is a researcher at the Centre for Economic Policy Research in the United Kingdom from 2013 to the present and an associate editor at Management Science and Journal of Empirical Finance from 2014 to the present.

Ms. LU Hong, aged 51, is an independent non-executive Director since May 2016. She is also a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company. Ms. LU has over 21 years of experience in accounting, financial management, company secretarial and domestic and overseas capital markets field. She is a member of the Chinese Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. LU has extensive knowledge and experience in accounting and is very familiar with listing rules and regulations both in Hong Kong and PRC. She has rich experience in the listing of corporations in the PRC, Hong Kong, Singapore and the United States of America, and foreign and domestic investment and financing operations as well as mergers and acquisitions. Ms. LU also specializes in financial analysis, budgeting, financial management and tax planning. Ms. LU has been an independent non-executive director of Sino Biopharmaceutical Limited (stock code: 1177), a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Various aspects of the business and operations of the Group are respectively under direct responsibilities of the Executive Directors who are regarded as the senior management of the Company.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
Huan Yue Interactive Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huan Yue Interactive Holdings Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 97 to 198, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Revenue recognition

Refer to note 4 (a) to the consolidated financial statements and the accounting policies in note 2(v).

The Key Audit Matter	How the matter was addressed in our audit
Revenue from the sale of copper products is recognised when the goods are delivered to the customers' designated location for domestic sales or when the goods are loaded on shipping vessels for overseas sales, which is considered to be the point in time when the customer obtains control of the copper products. The Group's sales contracts with customers have a variety of terms in relation to goods acceptance and the calculation of sales rebates. Management evaluates the terms of individual contracts in order to determine the appropriate timing of revenue recognition and the amounts which should be recognised.	Our audit procedures to assess the recognition of revenue included the following: • assessing the design, implementation and operating effectiveness of the relevant key internal controls which govern revenue recognition from the sale of copper products; • inspecting customer contracts on a sample basis and evaluating the Group's revenue recognition policies, including the timing of revenue recognition and the amount of revenue recognised, with reference to the requirements of the prevailing accounting standards; • comparing revenue transactions recognised during the year, on a sample basis, with contracts and goods delivery notes with the customers' acknowledgement of receipt and acceptance of the goods or bills of lading and assessing whether revenue was recognised in accordance with the Group's revenue recognition policies; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with sales contracts and goods delivery notes with the customers' acknowledgement of receipt and acceptance of the goods or bills of lading to determine whether the revenue had been recognised in the appropriate financial period;

KEY AUDIT MATTERS (Continued)

Revenue recognition (Continued)

Refer to note 4 (a) to the consolidated financial statements and the accounting policies in note 2(v).

The Key Audit Matter	How the matter was addressed in our audit
We identified revenue recognition from the sale of copper products as a key audit matter because revenue is a key performance indicator of the Group which could create an incentive for manipulation of revenue to meet targets or expectations.	• recalculating, on a sample basis, sales rebates recognised during the year with reference to the terms contained in customers' sales contracts and the actual sales volumes for customers qualifying for rebates, comparing our calculations with those of the Group and assessing whether the sales rebates had been accurately recognised in the appropriate financial period; • inspecting samples of credit invoices and returned goods delivery notes issued in December 2019 and January 2020 to evaluate whether associated adjustments to revenue had been accurately recorded in the appropriate accounting period; and • inspecting manual adjustments to revenue made during the reporting period applying risk-based sampling techniques, enquiring of management as to the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Steven Roy Parker.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Revenue	4(a)	**4,253,075**	4,996,057
Cost of sales		**(3,851,268)**	(4,577,679)
Gross profit		**401,807**	418,378
Other income	5	**21,469**	39,520
Distribution expenses		**(46,336)**	(47,112)
Administrative expenses		**(234,451)**	(240,293)
Other expenses	6	**(36,334)**	(120,187)
Profit from operations		**106,155**	50,306
Finance income		**7,512**	61,696
Finance costs		**(38,210)**	(60,573)
Net finance (costs)/income	7(a)	**(30,698)**	1,123
Profit before taxation		**75,457**	51,429
Income tax	8	**(15,275)**	(22,651)
Profit for the year		**60,182**	28,778
Attributable to:			
Equity shareholders of the Company		**59,262**	27,529
Non-controlling interests		**920**	1,249
Profit for the year		**60,182**	28,778
Earnings per share	12		
Basic (RMB)		**0.07**	0.03
Diluted (RMB)		**0.07**	0.03

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2 (c).

The notes on pages 105 to 198 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(d).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Expressed in RMB)

	Note	2019	2018
			(Note)
	Note	***RMB'000***	*RMB'000*
Profit for the year		**60,182**	28,778
Other comprehensive income for the year (after tax and reclassification adjustments)	*11*		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas operations		**949**	(3,138)
Other comprehensive income for the year		**949**	(3,138)
Total comprehensive income for the year		**61,131**	25,640
Attributable to:			
Equity shareholders of the Company		**60,211**	24,391
Non-controlling interests		**920**	1,249
Total comprehensive income for the year		**61,131**	25,640

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2 (c).

The notes on pages 105 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	13	**885,206**	917,315
Right-of-use assets	14	**74,440**	–
Lease prepayments		**–**	11,991
Intangible assets	15	**1,382**	1,994
Goodwill	16	**–**	28,289
Deposits for acquisition of property, plant and equipment		**1,224**	9,778
Other non-current assets		**7,490**	–
Deferred tax assets	8(d)	**33,625**	28,016
		1,003,367	997,383
Current assets			
Inventories	17	**697,284**	670,327
Trade and other receivables	18	**386,875**	392,167
Derivative financial instruments	19	**565**	876
Structured bank deposits	20	**20,118**	–
Restricted bank deposits	21	**221,490**	140,162
Bank deposits with maturity over three months		**60,000**	10,163
Cash and cash equivalents	22	**163,150**	175,950
		1,549,482	1,389,645
Current liabilities			
Derivative financial instruments	19	**7,775**	222
Interest-bearing borrowings	23	**768,941**	728,523
Trade and other payables	24	**521,515**	467,301
Lease liabilities	25	**1,040**	–
Income tax payable		**19,369**	21,926
		1,318,640	1,217,972
Net current assets		**230,842**	171,673
Total assets less current liabilities		**1,234,209**	1,169,056

The notes on pages 105 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Non-current liabilities			
Interest-bearing borrowings	23	**77,000**	45,500
Lease liabilities	25	**700**	–
Deferred income	26	**41,818**	43,693
Deferred tax liabilities	8(d)	**1,846**	5,499
		121,364	94,692
NET ASSETS		**1,112,845**	1,074,364
CAPITAL AND RESERVES			
Share capital	27(b)	**77,417**	77,417
Reserves		**1,033,511**	974,496
Total equity attributable to equity shareholders of the Company		**1,110,928**	1,051,913
Non-controlling interests		**1,917**	22,451
TOTAL EQUITY		**1,112,845**	1,074,364

Approved and authorised for issue by the board of directors on 31 March 2020.

Hu Minglie

Directors

Zhu Wenjun

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2 (c).

The notes on pages 105 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(Expressed in RMB)

		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 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 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
Profit for the year		–	–	–	–	–	–	–	27,529	27,529	1,249	28,778
Other comprehensive income		–	–	–	–	(3,138)	–	–	–	(3,138)	–	(3,138)
Total comprehensive income		–	–	–	–	(3,138)	–	–	27,529	24,391	1,249	25,640
Profit appropriation to reserve		–	–	–	7,539	–	–	–	(7,539)	–	–	–
Dividend paid to a non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	–	–	(1,403)	(1,403)
Share Award Scheme:												
– Treasury shares held for Share Award Scheme	*29(c)*	–	–	–	–	–	(401)	–	–	(401)	–	(401)
– Value of employee services	–	–	–	–	–	–	–	2,433	–	2,433	–	2,433
– Shares vested from Share Award Scheme	*29(c)*	–	–	–	–	–	4,054	(3,993)	(61)	–	–	–
New shares issued in connection with contingent consideration	*27(b)&(c)*	1,959	14,687	–	–	–	–	–	–	16,646	–	16,646
Disposal of interest in a subsidiary		–	–	–	(710)	–	–	–	710	–	(4,348)	(4,348)
At 31 December 2018		77,417	322,514	259,726	72,470	(17,510)	(2,164)	2,519	336,941	1,051,913	22,451	1,074,364

The notes on pages 105 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(Expressed in RMB)

		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 Share Award Scheme *RMB'000*	Share-based compensation reserve *RMB'000*	Retained earnings (Note) *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2019		77,417	322,514	259,726	72,470	(17,510)	(2,164)	2,519	336,941	1,051,913	22,451	1,074,364
Profit for the year		–	–	–	–	–	–	–	59,262	59,262	920	60,182
Other comprehensive income		–	–	–	–	949	–	–	–	949	–	949
Total comprehensive income		–	–	–	–	949	–	–	59,262	60,211	920	61,131
Profit appropriation to reserve		–	–	–	12,850	–	–	–	(12,850)	–	–	–
Dividend paid to a non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	–	–	(1,820)	(1,820)
Share Award Scheme:												
– Treasury shares held for Share Award Scheme	*29(c)*	–	–	–	–	–	(359)	–	–	(359)	–	(359)
– Value of employee services		–	–	–	–	–	–	829	–	829	–	829
Acquisition of non-controlling interest	*27(c)*	–	–	(1,666)	–	–	–	–	–	(1,666)	(19,634)	(21,300)
At 31 December 2019		77,417	322,514	258,060	85,320	(16,561)	(2,523)	3,348	383,353	1,110,928	1,917	1,112,845

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2 (c).

The notes on pages 105 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(Expressed in RMB)

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Cash flows from operating activities		
Profit for the year	**60,182**	28,778
Adjustment for:		
Depreciation of property, plant and equipment	**105,000**	101,291
Depreciation for right-of-use assets	**2,202**	–
Amortisation of lease prepayments	**–**	339
Amortisation of intangible assets	**612**	3,106
Impairment losses on trade and other receivables	**7,775**	10,051
Impairment losses on goodwill	**28,289**	109,864
Loss on disposal of property, plant and equipment	**206**	1
Gain on disposal of property, plant and equipment	**(209)**	(40)
Net finance costs/(income)	**30,698**	(1,123)
Equity-settled share-based payment transactions	**829**	2,433
Unrealised fair value change on derivative financial instruments	**7,877**	(3,654)
Gain on disposal of interest in a subsidiary	**–**	(454)
Income tax expense	**15,275**	22,651
Amortisation of deferred income	**(5,875)**	(11,993)
	252,861	261,250
Changes in working capital:		
Inventories	**(26,957)**	(30,678)
Trade and other receivables	**(5,326)**	100,040
Trade and other payables	**44,701**	(148,486)
Cash generated from operations	**265,279**	182,126
Interest paid	**(34,515)**	(38,238)
Income tax paid	**(27,094)**	(43,886)
Net cash generated from operating activities	**203,670**	100,002

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17.

The Group has classified:

– cash payments for the principal portion of lease payments as financing activities;

– cash payments for the lease prepayment portion as investing activities;

– cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Group; and

– short-term lease payments and payments for leases of low-value assets as operating activities.

Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to IFRS 16 are set out in note 2 (c).

The notes on pages 105 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Cash flows from investing activities			
Interest received		**3,305**	3,462
Proceeds from disposal of property, plant and equipment		**100**	162
Payment for purchase of structured bank deposits		**(720,000)**	–
Proceeds from maturity of structured bank deposits		**700,437**	–
Changes in guarantee deposits and bank deposits with maturity over three months		**(127,178)**	(2,960)
Net proceeds from disposal of interest in a subsidiary		**–**	4,610
Acquisition of property, plant and equipment, net of deposits placed in previous years		**(52,316)**	(55,471)
Acquisition of right-of-use assets		**(61,944)**	–
Placement of land deposits		**(10,700)**	–
Withdrawal of land deposits		**3,210**	–
Deposits for acquisition of property, plant and equipment		**(715)**	(7,295)
Government grants received		**–**	6,385
Net cash used in investing activities		**(265,801)**	(51,107)
Cash flows from financing activities			
Repayment of interest-bearing borrowings	22(a)	**(1,192,359)**	(1,768,517)
Proceeds from interest-bearing borrowings	22(a)	**1,268,733**	1,726,294
Capital element of lease rentals paid	22(a)	**(967)**	–
Payment for purchase of shares in connection with Share Award Scheme	29(c)	**(359)**	(401)
Dividends paid to non-controlling shareholders		**(1,820)**	(1,403)
Acquisition of non-controlling interests	27(c)	**(21,300)**	–
Net cash generated from/(used in) financing activities		**51,928**	(44,027)
Net (decrease)/increase in cash and cash equivalents		**(10,203)**	4,868
Cash and cash equivalents at 1 January		**175,950**	166,319
Effect of movements in exchange rates on cash held		**(2,597)**	4,763
Cash and cash equivalents at 31 December		**163,150**	175,950

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2 (c).

The notes on pages 105 to 198 form part of these financial statements.

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 consolidated financial statements for the year ended 31 December 2019 comprise 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and related Interpretations, issued by the International Accounting Standards Board (IASB), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 (c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- contingent consideration receivables;
- contingent consideration payables;
- derivative financial instruments (see note 2 (h)); and
- structured bank deposits (see note 2 (g)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, ***Leases***

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, *Leases* (Continued)

The Group has initially applied IFRS 16 from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to right-of-use assets as disclosed in note 14. For an explanation of how the Group applies lessee accounting, see note 2 (k)(i).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, *Leases* (Continued)

b. *Lessee accounting and transitional impact* (Continued)

To ease the transition to IFRS 16, the Group applied the following practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 31 (b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	2,786
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(93)
– leases of low-value assets	(71)
	2,622
Less: total future interest expenses	(168)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	2,454
Total lease liabilities recognised at 1 January 2019	2,454

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018. In addition, the carrying amount of lease prepayments was reclassified as right-of-use assets at the date of initial application of IFRS 16. Also, there were no ongoing payment obligations under the terms of the land leases, so no lease liabilities were recognised at the date of initial application of IFRS 16.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, ***Leases*** (Continued)

b. *Lessee accounting and transitional impact* (Continued)

The following table summarise the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	Reclassification	Capitalisation of operating lease contracts	Carrying amount at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:				
Right-of-use assets	–	11,991	2,454	14,445
Lease prepayments	11,991	(11,991)	–	–
Total non-current assets	997,383	–	2,454	999,837
Lease liabilities (current)	–	–	892	892
Current liabilities	1,217,972	–	892	1,218,864
Net current assets	171,673	–	(892)	170,781
Total assets less current liabilities	1,169,056	–	1,562	1,170,618
Lease liabilities (non-current)	–	–	1,562	1,562
Total non-current liabilities	94,692	–	1,562	96,254
Net assets	1,074,364	–	–	1,074,364

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, ***Leases*** (Continued)

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in an immaterial impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 22 (a)). Capital element is classified as financing cash outflows and interest element remains in operating cash outflows. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the statement of cash flows (see note 22 (b)).

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, ***Leases*** (Continued)

c. Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019				2018
	Amounts reported under IFRS 16 (A)	Add back: IFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under IAS 17 (note 1) (C)	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C)	Compared to amounts reported for 2018 under IAS 17
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	106,155	2,202	(2,229)	106,128	50,306
Finance costs	(38,210)	105	–	(38,105)	(60,573)
Profit before taxation	75,457	2,307	(2,229)	75,535	51,429
Profit for the year	60,182	2,307	(2,229)	60,260	28,778
Reportable segment profit/(loss) (profit/(loss) before taxation) for year ended 31 December 2019 (note 4 (b)) impacted by the adoption of IFRS 16:					
– Copper products	105,132	1,318	(1,314)	105,136	108,856
– Online games	(26,572)	989	(915)	(26,498)	(106,738)
– Total	78,560	2,307	(2,229)	78,638	2,118

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, *Leases* (Continued)

c. *Impact on the financial result, segment results and cash flows of the Group* (Continued)

	2019			2018
	Amounts reported under IFRS 16 (A) *RMB'000*	Estimated amounts related to operating leases as if under IAS 17 (notes 1 & 2) (B) *RMB'000*	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) *RMB'000*	Compared to amounts reported for 2018 under IAS 17 *RMB'000*
Line items in the consolidated statement of cash flows for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	265,279	(1,072)	264,207	182,126
Interest paid	(34,515)	105	(34,410)	(38,238)
Net cash generated from operating activities	203,670	(967)	202,703	100,002
Capital element of lease rentals paid	(967)	967	–	–
Net cash generated from/(used in) financing activities	51,928	967	52,895	(44,027)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table, these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Functional and presentation currency

These consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group's subsidiaries located in the PRC. All financial information presented in RMB has been rounded to the nearest thousands, except when otherwise indicated. The functional currency of the Company and its subsidiaries incorporated in Hong Kong and British Virgin Islands is Hong Kong dollar ("HKD").

(e) Subsidiaries and non-controlling interests

(i) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 2 (l)(ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see note 2 (g)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiaries and non-controlling interests (Continued)

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2 (g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2 (l)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2 (l)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30 (d). These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other investments in debt and equity securities (Continued)

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2 (v)(iv)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2 (l)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs (see note 2 (x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

– Plant and buildings	10 – 35 years
– Machinery	5 – 20 years
– Electronic and other equipment	3 – 10 years
– Motor vehicles	5 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2 (x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2 (l)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group upon acquisition of subsidiaries are measured at fair value upon initial recognition. Subsequent to initial recognition, those intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (see note 2 (l)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Exclusive rights for operation of online games	2.5 years
Non-compete agreement	7 years

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily computers and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2 (l)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

(i) As a lessee (Continued)

(A) Policy applicable from 1 January 2019 (Continued)

Depreciation is calculated to write-off the cost of right-of-use assets, using the straight-line method over their estimated useful lives as follows:

– Leasehold land	50years
– Leased offices	2 – 3 years

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets' and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the following item:

- financial assets measured at amortised cost (including cash and cash equivalents, bank deposits with maturity over three months, restricted bank deposits and trade and other receivables);

Other financial assets measured at fair value, including structured bank deposits, derivative financial assets and contingent consideration receivables, are not subject to the ECL assessment.

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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2 (v)(iv) 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 past due event;

– 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2 (l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2 (m)(i)), property, plant and equipment (see note 2 (i)) or intangible assets (see note 2 (j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less from the initial recognition of the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2 (v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2 (o)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade and other receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2 (l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2 (l)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for contingent consideration payables, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2 (x)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The shares awarded under the Share Award Scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Treasury shares held for Share Award Scheme" and deducted from equity.

For shares granted under the Share Award Scheme, the fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in share-based compensation reserve within equity. The fair value is based on the closing price of the Company's shares on grant date plus any directly attributable incremental costs. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares.

When the awarded shares are transferred to the grantees upon vesting, the related weighted average acquisition cost of the awarded shares vested are credited to "Treasury shares held for Share Award Scheme", and the grant date fair value of the awarded shares vested are debited to the share-based compensation reserve. The difference between the related weighted average acquisition cost and the grant date fair value of the awarded shares vested is transferred to retained profits directly.

Share-based payment transactions in which the Company grants shares to its subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position which is eliminated on consolidation.

Where there is any modification of terms and conditions that is not beneficial to the employee, e.g. by increasing the vesting period, then this modification is ignored, i.e. the grant-date fair value of the equity instruments granted is recognised over the original vesting period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year comprises current tax and movement in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax basis. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of copper products

Customers obtain control of copper products when the goods are delivered to the customers' designated location for domestic sales or when the goods are loaded on shipping vessels for overseas sales. Invoices are usually settled within 90 days from billing date. No discounts are provided for copper products, but sales rebates may be provided to certain customers based on the volume of product purchased over a defined period. Customer rebates are estimated and recorded as a reduction to revenue.

If the copper products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Revenue is recognised when the customer has the ability to direct the use of the copper products or services and obtain substantially all of the remaining benefits of the copper products or services. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(ii) Publishing and operating online games

The Group publishes third party developers' games on third party distribution channels. As the Group neither has the primary responsibility for fulfilment of the online games services nor the latitude to establish prices, the Group views itself as an agent providing publishing and operation services to the games developers through distribution channels, and thus the Group recognises revenue on a net basis, which is based on charging records of game players, multiplied by a pre-determined percentage according to revenue sharing agreements.

Revenue from publishing and operating online games is recognised over time as the customer simultaneously receives and consumes the benefits of the services. The Group views its performance obligations as a series of distinct goods or services that are substantially the same and that have the same pattern of transfer. The Group allocates variable consideration to the distinct good or service within the series, such that revenue from publishing and operating online games is recognised in each period as the uncertainty with respect to such variable consideration is resolved.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(iii) Services income

Revenue for the provision of technical services is recognised at the point in time when services have been rendered.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

(v) Government grants

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction date. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(z) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the Group of which the other entity is a member).

(c) both entities are joint ventures of the same third party.

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) the entity is controlled or jointly controlled by a person identified in (i).

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

- Note 2 (v) – Revenue from publishing and operating online games: whether the Group acts as an agent in the transaction rather than as a principal.
- Notes 29 (b)&(c) – Consolidation: whether the Group has control over entities through contractual arrangements and trusts.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Loss allowance for trade receivables

The Group estimates the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are 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 end of reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables during their expected lives.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(ii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The management reviews the estimated useful lives and the residual values, if any, of the assets regularly in order to determine the amount of depreciation charge for the year. The useful lives of the assets are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. Net realisable value could change significantly as a result of competitor's actions in response to severe industry cycles or other changes in market conditions. Management reassess the estimations at each reporting date.

(iv) Impairment of non-current assets

Management determines the impairment loss on non-current assets other than goodwill if circumstances indicate that the carrying value of an asset may not be recoverable. Goodwill is tested annually for impairment. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and the amount of operating costs.

(v) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislation. Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

4 REVENUE AND SEGMENT REPORTING

(a) 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.

Further details regarding the Group's principal activities are disclosed in note 4 (b).

(i) Disaggregation of revenue

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

	2019 *RMB'000*	2018 *RMB'000*
Revenue from contracts with customers within the scope of IFRS15		
Disaggregated by major products or service lines		
Copper products related:		
– Sales of high precision copper plates and strips	3,963,982	4,448,029
– Processing service fees	208,967	194,857
– Trading of raw materials	53,448	316,232
	4,226,397	4,959,118
Online games related:		
– Publishing and operating online games	23,775	35,548
– Others	2,903	1,391
	26,678	36,939
	4,253,075	4,996,057

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in notes 4 (b)(i) and 4 (b)(iv), respectively.

The Group's customer base is diversified and no single customer contributed over 10% of the total revenue of the Group during the years ended 31 December 2019 and 2018.

4 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to all its sales contracts such that the Group does not need to disclose the information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under all sales contracts that had an original expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by service 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 of 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 publishing and operating online games and provision of related 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, with the exception of unallocated corporate assets. 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 from cash balances and borrowings managed directly by segments, depreciation and amortisation and impairment losses. Changes in fair values of contingent consideration receivables and contingent consideration payables are not included in the measure of the segments' profit that is used by the most senior executive management for assessment of segment performance.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as 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 years ended 31 December 2019 and 2018 are set out below.

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	Copper products		Online games		Total	
	2019	2018	**2019**	2018	**2019**	2018
		(Note)		*(Note)*		*(Note)*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	**4,226,397**	4,959,118	**–**	–	**4,226,397**	4,959,118
Overtime	**–**	–	**26,678**	36,939	**26,678**	36,939
Revenue from external customers	**4,226,397**	4,959,118	**26,678**	36,939	**4,253,075**	4,996,057
Inter-segment revenue	**616**	507	**–**	–	**616**	507
Reportable segment revenue	**4,227,013**	4,959,625	**26,678**	36,939	**4,253,691**	4,996,564
Reportable segment profit/(loss) (profit/(loss) before taxation)	**105,132**	108,856	**(26,572)**	(106,738)	**78,560**	2,118
Interest income from bank deposits	**6,746**	3,922	**211**	382	**6,957**	4,304
Net interest expense	**(33,089)**	(36,947)	**(121)**	(11)	**(33,210)**	(36,958)
Depreciation and amortisation	**(106,208)**	(101,532)	**(1,606)**	(3,204)	**(107,814)**	(104,736)
Impairment loss of goodwill	**–**	–	**(28,289)**	(109,864)	**(28,289)**	(109,864)
Reportable segment assets	**2,459,845**	2,258,114	**67,810**	99,555	**2,527,655**	2,357,669
Additions to non-current segment assets during the year	**142,782**	48,984	**78**	205	**142,860**	49,189
Reportable segment liabilities	**1,418,538**	1,284,391	**19,410**	24,634	**1,437,948**	1,309,025

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2 (c).

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2019 RMB'000	2018 RMB'000
Revenue		
Reportable segment revenue	**4,253,691**	4,996,564
Elimination of inter-segment revenue	**(616)**	(507)
Consolidated revenue *(note 4(a))*	**4,253,075**	4,996,057

	2019 RMB'000	2018 (Note) RMB'000
Profit before taxation		
Reportable segment profit	**78,560**	2,118
Changes in fair values of contingent consideration receivables and contingent consideration payables	**(3,103)**	49,311
Consolidated profit before taxation	**75,457**	51,429

(iii) Reconciliations of reportable segment assets and liabilities

	2019 RMB'000	2018 (Note) RMB'000
Assets		
Reportable segment assets	**2,527,655**	2,357,669
Elimination of inter-segment receivables	**(1,570)**	(189)
Unallocated corporate assets	**26,764**	29,548
Consolidated total assets	**2,552,849**	2,387,028

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Reconciliations of reportable segment assets and liabilities (Continued)

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**1,437,948**	1,309,025
Elimination of inter-segment payables	**(1,570)**	(189)
Unallocated corporate liabilities	**3,626**	3,828
Consolidated total liabilities	**1,440,004**	1,312,664

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2 (c).

(iv) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	2019	2018
	RMB'000	*RMB'000*
Revenue		
Mainland China	**3,822,499**	4,025,135
Thailand	**80,731**	96,474
Taiwan	**67,412**	127,347
Hong Kong	**59,675**	262,936
Bangladesh	**56,979**	77,212
India	**48,350**	77,737
Singapore	**9,366**	188,908
Other countries	**108,063**	140,308
	4,253,075	4,996,057

The Group's specified non-current assets (excluding deferred tax assets) are all located in the People's Republic of China (the "**PRC**") which, for the purpose of this report, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan. The geographical location of the Group's specified non-current assets (excluding deferred tax assets) is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

5 OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Government grants	**14,405**	20,656
Gain on disposal of interest in a subsidiary	**–**	454
Gain on derivative financial instruments	**5,418**	16,005
Gain on disposal of property, plant and equipment	**209**	40
Others	**1,437**	2,365
	21,469	39,520

Government grants represent unconditional government grants of RMB8,530,000 (2018: RMB8,663,000) awarded to the Group as a recognition of the Group's contribution to the development of the local economy, and the amortisation of deferred government grants of RMB5,875,000 (2018: RMB11,993,000) during the year ended 31 December 2019 (note 26).

6 OTHER EXPENSES

	2019	2018
	RMB'000	*RMB'000*
Impairment losses on goodwill *(note 16)*	**28,289**	109,864
Credit loss allowance on trade and other receivables *(note 30(a))*	**7,775**	10,051
Loss on disposal of property, plant and equipment	**206**	1
Others	**64**	271
	36,334	120,187

7 PROFIT BEFORE TAXATION

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

(a) Net finance (costs)/income

	2019 RMB'000	2018 *(Note)* RMB'000
Interest income on bank deposits	**6,957**	4,304
Change in fair values of contingent consideration receivables and contingent consideration payables *(note 24 (iii))*	**–**	49,311
Gains from foreign exchange forward contracts	**–**	8,081
Gains from structured bank deposits	**555**	–
Finance income	**7,512**	61,696
Interest expenses on interest-bearing borrowings	**(35,920)**	(38,267)
Interest on lease liabilities *(note 14)*	**(105)**	–
Less: interest expenses capitalised*	**2,815**	1,309
Net interest expense recognised in profit or loss	**(33,210)**	(36,958)
Change in fair values of contingent consideration receivables and contingent consideration payables *(note 24 (iii))*	**(3,103)**	–
Net foreign exchange loss	**(1,191)**	(23,615)
Losses from foreign exchange forward contracts	**(706)**	–
Finance costs	**(38,210)**	(60,573)
Net finance (costs)/income	**(30,698)**	1,123

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2 (c).

* The borrowing costs were capitalised at rates of 2.27% ~ 4.99% per annum in 2019 (2018: 2.15% ~ 5.15% per annum).

7 PROFIT BEFORE TAXATION (Continued)

(b) Personnel costs

	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**148,464**	142,328
Contributions to defined contribution plan	**6,205**	6,818
	154,669	149,146

The Group participates in pension funds organised by the PRC government. According to the related pension fund regulations, the Group is required to pay annual contributions during the year. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees employed by the Group in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

7 PROFIT BEFORE TAXATION (Continued)

(c) Other items

	2019 RMB'000	2018 RMB'000
Cost of inventories*	**3,844,996**	4,564,494
Depreciation		
– Property, plant and equipment *(note 13)*	**105,000**	101,291
– Right-of-use assets *(note 14)*#	**2,202**	–
Amortisation		
– Lease prepayments#	**–**	339
– Intangible assets *(note 15)*	**612**	3,106
Impairment losses on		
– Goodwill	**28,289**	109,864
– Trade and other receivables	**7,775**	10,051
Research and development expenditure (included in administrative expenses)	**134,087**	134,932
Total minimum lease payments for leases previously classified as operating leases under IAS 17#	**–**	1,596
Auditor's remuneration-audit services	**2,300**	2,480

* Cost of inventories includes RMB129,106,000 (2018: RMB116,007,000) relating to staff costs and depreciation expenses whose amounts are also included in the respective total amounts disclosed separately above or in notes 7 (b) and 7 (c) for each type of expense.

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. In addition, the carrying amount of lease prepayments was reclassified as right-of-use assets at the date of initial application of IFRS 16. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2 (c).

8 INCOME TAXES

(a) Taxation in the consolidated statement of profit or loss represents:

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**29,398**	25,186
Over-provision in respect of prior year	**(8,847)**	(8,965)
	20,551	16,221
Deferred tax		
Origination and reversal of temporary differences	**(5,762)**	6,621
PRC withholding tax	**486**	(191)
	15,275	22,651

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

(ii) The applicable profits tax rate of the Group's subsidiaries incorporated in Hong Kong was 16.5% (2018: 16.5%). A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%.

(iii) The Group's PRC subsidiaries are subject to PRC income tax at 25%. For certain subsidiaries recognised as a small profit enterprise in 2019, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20%. And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20%.

(iv) The PRC Corporate Income Tax Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividend distributions out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. As at 31 December 2019, a preferential withholding tax rate of 5% is applied, since Xingye Copper International (HK) Limited ("Xingye Copper (HK)"), the parent company of the Group's PRC subsidiaries, became entitled to the preferential withholding tax rate of 5%, having been certified as the tax resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". As a result, deferred tax liabilities of RMB1,500,000 (2018: RMB5,000,000) were recognised in connection with withholding tax that would be payable on the distribution of retained profits of the Group's PRC subsidiaries as at 31 December 2019.

8 INCOME TAXES (Continued)

(b) Reconciliation between actual tax expense and accounting profit at applicable tax rates:

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**75,457**	51,429
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	**28,559**	29,256
Tax effect of unused tax losses and other temporary differences not recognised as deferred tax assets	**1,768**	3,151
Tax effect of utilisation of tax losses not recognised as deferred tax assets in prior years	**(316)**	–
Withholding tax on profits retained by PRC subsidiaries	**486**	(191)
Effect of tax concessions	**(999)**	(1,033)
Over-provision in prior year	**(8,847)**	(8,965)
Additional deduction for qualified research and development expenses (Note)	**(7,264)**	–
Tax effect of non-deductible expenses	**1,888**	433
Actual tax expense	**15,275**	22,651

Note: According to the relevant PRC income tax law, certain research and development expenses of PRC subsidiaries are qualified for 75% additional deduction for tax purpose.

8 INCOME TAXES (Continued)

(c) Movement in deferred tax assets/(liabilities) during the year

	Accelerated depreciation and impairment of property, plant and equipment	Credit loss allowance	Inventory provision	Change in fair value of derivative financial instruments	Deferred income	Withholding tax on dividends	Intangible assets	Unrealised profits arising from intra-group transactions and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	22,337	1,243	1,294	2,461	2,575	(7,500)	(1,275)	5,503	26,638
Reclassified to current tax payable upon distribution of dividends	–	–	–	–	–	2,309	–	–	2,309
Credited/(charged) to profit or loss	(4,635)	189	615	(2,625)	1,222	191	776	(2,163)	(6,430)
At 31 December 2018 and 1 January 2019	**17,702**	**1,432**	**1,909**	**(164)**	**3,797**	**(5,000)**	**(499)**	**3,340**	**22,517**
Reclassified to current tax payable upon distribution of dividends	**–**	**–**	**–**	**–**	**–**	**3,986**	**–**	**–**	**3,986**
Credited/(charged) to profit or loss	**(4,462)**	**2,231**	**4,880**	**1,967**	**481**	**(486)**	**153**	**512**	**5,276**
At 31 December 2019	**13,240**	**3,663**	**6,789**	**1,803**	**4,278**	**(1,500)**	**(346)**	**3,852**	**31,779**

8 INCOME TAXES (Continued)

(d) Reconciliation to consolidated statement of financial position

	2019 **RMB'000**	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**33,625**	28,016
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,846)**	(5,499)
	31,779	22,517

(e) Unrecognised deferred tax assets and liabilities

Deferred tax assets/(liabilities) have not been recognised in respect of the following items:

	2019 **RMB'000**	2018 RMB'000
Tax losses of subsidiaries (i)	**23,453**	19,333
Retained earnings of PRC subsidiaries not expected to be distributed outside of the PRC in the foreseeable future (ii)	**(318,335)**	(293,994)

(i) Deferred tax assets have not been recognised in respect of the tax losses of certain subsidiaries of the Group because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

(ii) Deferred tax liabilities in relation to withholding tax have not been recognised for the above undistributed earnings of PRC subsidiaries as the Group controls the timing and amounts of distribution and does not expect to incur such liabilities in the foreseeable future.

9 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383 (1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2019					
Name of directors	Director' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonus	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Hu Changyuan	–	629	–	–	34	663
Mr. Hu Minglie	–	1,204	6	–	171	1,381
Mr. Zhu Wenjun	–	1,009	6	–	34	1,049
Mr. Ren Hao (resigned on 23 September 2019)	–	406	31	–	26	463
Non-executive directors						
Mr.Dai Jianchun	423	–	–	–	17	440
Independent non-executive directors						
Mr. Chai Chaoming	102	–	–	–	17	119
Mr. Lou Dong	102	–	–	–	17	119
Ms. Lu Hong	102	–	–	–	17	119
	729	3,248	43	–	333	4,353

9 DIRECTORS' REMUNERATION (Continued)

	Year ended 31 December 2018					
Name of directors	Director' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	Discretionary bonus *RMB'000*	Equity-settled share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Hu Changyuan	–	702	–	–	105	807
Mr. Chen Jianhua (resigned on 13 December 2018)	–	707	5	–	105	817
Mr. Hu Minglie	–	1,207	7	–	523	1,737
Mr. Zhu Wenjun	–	1,009	7	–	105	1,121
Mr. Ren Hao	–	521	27	–	105	653
Non-executive directors						
Mr.Dai Jianchun	405	–	–	–	52	457
Independent non-executive directors						
Mr. Chai Chaoming	102	–	–	–	52	154
Mr. Lou Dong	102	–	–	–	52	154
Ms. Lu Hong	102	–	–	–	52	154
	711	4,146	46	–	1,151	6,054

There were no amounts paid during the year to Directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement during the year under which a Director waived or agreed to waive any remuneration.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2018: five) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two (2018: nil) individuals are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,589**	–
Equity-settled share-based payments	**34**	–
Retirement scheme contributions	**12**	–
	1,635	–

The emoluments of the two (2018: nil) individuals with the highest emoluments are within the following bands:

	2019	2018
RMB'000	**Number of individuals**	Number of individuals
Nil – 1,000	**2**	–

11 OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income

	2019			2018		
	Before-tax amount *RMB'000*	**Tax (expense)/ benefit amount** *RMB'000*	**Net-of-tax amount** *RMB'000*	Before-tax amount *RMB'000*	Tax (expense)/ benefit amount *RMB'000*	Net-of-tax amount *RMB'000*
Exchange difference on translation of financial statements of overseas subsidiaries	**949**	**–**	**949**	(3,138)	–	(3,138)
Other comprehensive income	**949**	**–**	**949**	(3,138)	–	(3,138)

12 BASIC AND DILUTED 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 RMB59,262,000 (2018: RMB27,529,000) and the weighted average number of 852,445,617 ordinary shares (2018: 852,912,033) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019	2018
Ordinary shares in issue at 1 January	**852,850,173**	828,655,617
Effect of shares purchased/vested under share award scheme *(note 29(c))*	**(404,556)**	(189,140)
Effect of new shares issued *(note 27(b))*	**–**	17,346,299
Effect of ordinary shares issuable in connection with the contingent consideration payable relating to an acquisition	**–**	7,099,257
Weighted average number of ordinary shares in issue at 31 December	**852,445,617**	852,912,033

12 BASIC AND DILUTED EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

As at 31 December 2019, potentially dilutive ordinary shares were excluded from the calculation of the diluted weighted average number of ordinary shares, since the effect would have been anti-dilutive.

As at 31 December 2018, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB27,529,000 and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares amounting to 856,735,616 ordinary shares.

Weighted average number of ordinary shares (diluted)

	2019	2018
Weighted average number of ordinary shares at 31 December (basic)	**852,445,617**	852,912,033
Effect of share award scheme (note 29 (c))	**–**	3,823,583
Weighted average number of ordinary shares at 31 December (diluted)	**852,445,617**	856,735,616

13 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings *RMB'000*	Machinery *RMB'000*	Electronic and other equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2018	247,561	1,371,797	23,160	10,235	67,514	1,720,267
Additions	126	1,149	957	464	46,493	49,189
Transfer from construction in progress	2,279	50,608	–	–	(52,887)	–
Disposal of a subsidiary	(9,999)	(1,498)	(530)	(578)	–	(12,605)
Disposals	–	–	(371)	(258)	–	(629)
At 31 December 2018	239,967	1,422,056	23,216	9,863	61,120	1,756,222
Additions	–	782	419	975	70,997	73,173
Transfer from construction in progress	7,157	42,387	1,976	–	(51,520)	–
Disposals	–	(176)	(347)	(404)	–	(927)
At 31 December 2019	247,124	1,465,049	25,264	10,434	80,597	1,828,468
Accumulated depreciation and impairment losses						
At 1 January 2018	(73,778)	(614,714)	(12,240)	(4,751)	(36,163)	(741,646)
Charge for the year	(8,236)	(89,107)	(2,751)	(1,197)	–	(101,291)
Impairment losses	–	(36,163)	–	–	36,163	–
Disposal of a subsidiary	2,126	823	341	489	–	3,779
Disposals	–	–	116	135	–	251
At 31 December 2018	(79,888)	(739,161)	(14,534)	(5,324)	–	(838,907)
Charge for the year	(7,926)	(92,582)	(3,242)	(1,250)	–	(105,000)
Disposals	–	67	306	272	–	645
At 31 December 2019	(87,814)	(831,676)	(17,470)	(6,302)	–	(943,262)
Net book value						
At 31 December 2019	159,310	633,373	7,794	4,132	80,597	885,206
At 31 December 2018	160,079	682,895	8,682	4,539	61,120	917,315

(i) Property, plant and equipment owned by the Group are all located in the PRC.

(ii) Certain property, plant and equipment with aggregate carrying amount of RMB358,135,000 (2018: RMB537,920,000) were pledged as security for bank loans at 31 December 2019 (see note 23 (iii)).

(iii) As at 31 December 2019, the Group was in the process of applying for the title certificates for certain of its properties with an aggregate carrying value of RMB16,236,000 (2018: RMB17,179,000). The Directors of the Company are of the opinion that the Group is entitled to lawfully occupy and use the above mentioned properties.

14 RIGHT-OF-USE ASSETS

	Leasehold land	**Leased offices**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January 2018 and 31 December 2018	–	–	–
Impact on initial application of IFRS 16 *(Note)*	16,187	2,454	18,641
At 1 January 2019	16,187	2,454	18,641
Additions	61,944	253	62,197
At 31 December 2019	78,131	2,707	80,838
Accumulated depreciation:			
At 1 January 2018 and 31 December 2018	–	–	–
Impact on initial application of IFRS 16 *(Note)*	(4,196)	–	(4,196)
At 1 January 2019	(4,196)	–	(4,196)
Charge for the year	(1,157)	(1,045)	(2,202)
At 31 December 2019	(5,353)	(1,045)	(6,398)
Net book value:			
At 31 December 2019	72,778	1,662	74,440
At 31 December 2018	–	–	–

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balance at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17, see note 2 (c). In addition, the carrying amount of lease prepayments was reclassified as right-of-use assets at 1 January 2019.

14 RIGHT-OF-USE ASSETS (Continued)

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019	1 January 2019
	RMB'000	*RMB'000*
Leasehold land, carried at depreciated cost in PRC	**72,778**	11,991
Leased offices, carried at depreciated cost	**1,662**	2,454
	74,440	14,445

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold land	**1,157**	339
Leased offices	**1,045**	–
	2,202	339
Interest on lease liabilities *(note 7(a))*	**105**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**21**	–
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**11**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	1,596

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. In addition, the carrying amount of lease prepayments was reclassified as right-of-use assets at the date of initial application of IFRS 16. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2 (c).

14 RIGHT-OF-USE ASSETS (Continued)

During the year, additions to right-of-use assets were RMB62,197,000. This amount included purchase of leasehold land of RMB61,944,000 and the remainder primarily related to capitalised lease payments payable under new tenancy agreements, relating to leased offices with initial period of 2 to 3 years.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 22 (b) and 25, respectively.

Certain right-of-use assets with an aggregate carrying amount of RMB7,119,000 (2018: lease prepayments of RMB11,991,000) were pledged as security for bank loans at 31 December 2019 (see note 23 (iii)).

15 INTANGIBLE ASSETS

	Exclusive rights for operation of online games	Non-compete agreement	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January 2018, 31 December 2018 and 31 December 2019	6,800	2,700	9,500
Accumulated amortisation:			
At 1 January 2018	(3,853)	(547)	(4,400)
Charge for the year	(2,720)	(386)	(3,106)
At 31 December 2018 and 1 January 2019	(6,573)	(933)	(7,506)
Charge for the year	(227)	(385)	(612)
At 31 December 2019	(6,800)	(1,318)	(8,118)
Net book value:			
At 31 December 2019	–	1,382	1,382
At 31 December 2018	227	1,767	1,994

The amortisation charge for the year is included in "cost of sales" in the consolidated statement of profit or loss.

16 GOODWILL

	RMB'000
Cost:	
At 1 January 2018, 31 December 2018 and 31 December 2019	138,153
Accumulated impairment loss:	
At 1January 2018	–
Impairment loss	(109,864)
At 31 December 2018 and 1 January 2019	(109,864)
Impairment loss	(28,289)
31 December 2019	(138,153)
Net book value:	
At 31 December 2019	–
At 31 December 2018	28,289

Impairment tests for cash-generating units containing goodwill

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

	2019 *RMB'000*	2018 *RMB'000*
Online games	–	28,289

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:

	2019 *RMB'000*	2018 *RMB'000*
Pre-tax discount rate	**37.5%**	34.0%
Long-term revenue growth rate	**0%**	2.5%
Revenue growth rates over next five years	**(29.0%)-0%**	(13.5%)-2.5%

16 GOODWILL (Continued)

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 0% (2018: 2.5%). The cash flows are discounted using a pre-tax discount rate of 37.5% (2018: 34.0%). 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.

Due to the impact of the relevant regulatory policies, the operating online games by the CGU decreased, resulting in a lower revenue growth rate of online gaming business than previously forecasted. As the business environment of the online gaming industry remains uncertain in the future, the estimated recoverable amount of the cash-generating unit was lower than its carrying amount, hence an impairment loss of RMB28,289,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2019 (2018: RMB109,864,000).

17 INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Raw materials	**72,656**	117,894
Work in progress	**480,754**	412,895
Finished goods	**143,341**	139,016
Others	**533**	522
	697,284	670,327

Provisions of RMB27,627,000 (2018: RMB8,157,000) were made against those inventories with net realisable value lower than carrying value as at 31 December 2019. Except for the above, none of the inventories as at 31 December 2019 were carried at net realisable value (2018: Nil).

Certain inventories with aggregate carrying amount of RMB303,000,000 were pledged as security for bank loans at 31 December 2019 (2018: RMB310,000,000) (see note 23 (iii)).

18 TRADE AND OTHER RECEIVABLES

	Note	2019 RMB'000	2018 RMB'000
Trade and bills receivable, net of credit loss allowance		326,451	296,387
Deposits for metal future contracts		2,839	11,080
Other debtors, net of credit loss allowance		8,414	5,748
Financial assets measured at amortised cost		337,704	313,215
VAT recoverable		11,962	24,386
Prepayments		10,445	25,018
Contingent consideration receivables	24(iii)	26,764	29,548
		386,875	392,167

All of the trade and other receivables (net of credit loss allowance) are expected to be recovered or recognised as expenses within one year.

As at 31 December 2019, 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 RMB45,178,000 (2018: RMB10,549,000). 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 receivable and the associated trade payables settled, and has recognised the cash received on the transfer as cash advances under discounted bills.

Ageing analysis

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

	2019 RMB'000	2018 RMB'000
Within 3 months	306,160	278,726
Over 3 months but less than 6 months	18,589	16,641
Over 6 months but less than 1 year	1,393	959
Over 1 year	309	61
	326,451	296,387

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 record.

18 TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis (Continued)

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in the note 30 (a).

As at 31 December 2019, the Group's bills receivables with aggregate carrying value of approximately RMB107,070,000 (2018: RMB96,304,000) were pledged to banks for issuance of bank acceptance bills.

19 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	**2019** **RMB'000**	2018 RMB'000
Derivative financial assets			
Metal future contracts	*(i)*	**565**	876
Derivative financial liabilities			
Metal future contracts	*(i)*	**(7,775)**	(209)
Foreign exchange forward contracts		**–**	(13)
		(7,775)	(222)

19 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(i) Metal future contracts

The notional contract value and the related terms of metal future contracts are summarised as follows:

	2019	2018
Sales contracts		
Volume *(tonnes)*	**2,282**	575
Notional contract value *(RMB'000)*	**17,420**	24,793
Market value *(RMB'000)*	**(25,195)**	(23,917)
Fair value *(RMB'000)*	**(7,775)**	876
Purchase contracts		
Volume *(tonnes)*	**19**	525
Notional contract value *(RMB'000)*	**(794)**	(21,710)
Market value *(RMB'000)*	**1,359**	21,501
Fair value *(RMB'000)*	**565**	(209)
Total *(RMB'000)*	**(7,210)**	667
Contract maturity date	January, February and March 2020	January, February and March 2019

The market value of metal future contracts is based on quoted market prices at the reporting date. As at 31 December 2019, fair value of the outstanding commodity future contracts was RMB7,210,000 (2018: RMB667,000), and net realised and unrealised gains, in aggregate of RMB5,418,000 were recognised in other income (2018: RMB16,005,000) for the year ended 31 December 2019.

20 STRUCTURED BANK DEPOSITS

The structured bank deposits are wealth management products amounting to RMB20,118,000 (2018: nil) issued by a bank in Mainland China with fixed maturity periods of three to four months and bear interest at floating rates based on the fluctuation in the London Interbank Offered Rate ("**LIBOR**"). The bank can defer the principal and interest payment and additional interest does not accrue on those deferred principal and interest amounts. As a result, the contractual cash flows of the structure bank deposits are not solely payments of principal and interest and were classified as financial assets at fair value through profit or loss at 31 December 2019.

21 RESTRICTED BANK DEPOSITS

Restricted bank deposits represent:

	2019	2018
	RMB'000	*RMB'000*
Guarantee deposits for issuance of commercial bills	**152,139**	78,371
Guarantee deposits for bank borrowings	**65,351**	61,778
Others	**4,000**	13
	221,490	140,162

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

All the balances of cash and cash equivalents at the end of the reporting period comprise cash at banks and on hand.

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest- bearing borrowings *RMB'000* *(Note 23)*	**Lease liabilities** *RMB'000* *(Note 25)*	**Total** *RMB'000*
At 31 December 2018	774,023	–	774,023
Impact on initial application of IFRS 16 (Note)	–	2,454	2,454
At 1 January 2019	774,023	2,454	776,477
Changes from financing cash flows:			
Proceeds from interest-bearing borrowings	1,268,733	–	1,268,733
Repayment of interest-bearing borrowings	(1,192,359)	–	(1,192,359)
Capital element of lease rentals paid	–	(967)	(967)
Total changes from financing cash flows	76,374	(967)	75,407
Exchange adjustments	(1,279)	–	(1,279)
Other non-cash changes:			
Derecognition of discounted bills	(3,177)	–	(3,177)
Increase in lease liabilities from entering into new leases during the year	–	253	253
Total other non-cash changes	(3,177)	253	(2,924)
At 31 December 2019	845,941	1,740	847,681

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. See notes 2 (c).

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(a) Reconciliation of liabilities arising from financing activities (Continued)

	Interest-bearing borrowings *RMB'000* *(Note 23)*
At 1 January 2018	858,751
Changes from financing cash flows:	
Proceeds from interest-bearing borrowings	1,726,294
Repayment of interest-bearing borrowings	(1,768,517)
Total changes from financing cash flows	(42,223)
Exchange adjustments	2,940
Other non-cash changes:	
Derecognition of discounted bills	(45,445)
Total other non-cash changes	(45,445)
At 31 December 2018	774,023

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(b) Total cash outflow for leases

Amounts included in the statement of cash flows for leases comprise the following:

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Within operating cash flows	137	1,596
Within investing cash flows	61,944	–
Within financing cash flows	967	–
	63,048	1,596

Note: As explained in statement of cash flows, the adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019	2018
	RMB'000	*RMB'000*
Lease rentals paid	1,104	1,596
Prepayment for leasehold land	61,944	–
	63,048	1,596

23 INTEREST-BEARING BORROWINGS

At 31 December 2019, interest-bearing borrowings were repayable based on scheduled repayment dates set out in the underlying loan agreements as follows:

	2019 *RMB'000*	2018 *RMB'000*
Current		
Short-term secured bank loans	447,751	437,360
Unsecured bank loans	36,739	48,986
Bank advances under discounted bills	238,951	111,177
Current portion of non-current secured bank loans	45,500	131,000
	768,941	728,523
Non-current		
Secured bank loans	77,000	45,500
	845,941	774,023

(i) The Group's interest-bearing borrowings were repayable as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within 1 year	768,941	728,523
Over 1 year but less than 2 years	77,000	45,500
	845,941	774,023

(ii) The Group's interest-bearing borrowings in the amount of RMB322,500,000 (2018: RMB311,000,000) 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 year ended 31 December 2019, none of these covenants related to drawn down facilities were breached.

23 INTEREST-BEARING BORROWINGS (Continued)

(iii) The secured bank loans as at 31 December 2019 bore interest at rates ranging from 2.27% to 4.99% (2018: 2.81% to 4.99%) per annum and were pledged by the following assets:

	31 December 2019	1 January 2019	31 December 2018 *(Note)*
	RMB'000	*RMB'000*	*RMB'000*
Carrying amounts of assets:			
Inventories	**303,000**	310,000	310,000
Property, plant and equipment	**358,135**	537,920	537,920
Right-of-use assets	**7,119**	11,991	–
Lease prepayments	**–**	–	11,991
Guarantee deposits for bank borrowings	**65,351**	61,778	61,778
	733,605	921,689	921,689

(iv) Unsecured bank loans as at 31 December 2019 bore interest at rates ranging from 2.79% to 2.86% (2018: 3.59% to 3.65%) per annum.

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balance at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17, see note 2 (c). In addition, the carrying amount of lease prepayments was reclassified as right-of-use assets at 1 January 2019.

24 TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade and bills payable (ii)	**394,397**	358,261
Staff benefits payable	**38,973**	28,668
Payables for purchase of property, plant and equipment	**33,273**	24,500
Accrued expenses and others	**24,388**	25,451
Financial liabilities measured at amortised cost	**491,031**	436,880
Contract liabilities (i)	**26,858**	26,593
Contingent consideration payables (iii)	**3,626**	3,828
	521,515	467,301

(i) The Group receives payments from customers based on the billing schedule established in contracts. Payments are usually received in advance under the contracts, which are mainly from sales of copper products.

Revenue of RMB26,593 thousand was recognised for the year ended 31 December 2019 that was included in the contract liability balance at the beginning of the reporting period.

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**382,475**	351,057
Over 3 months but within 6 months	**7,228**	3,461
Over 6 months but within 1 year	**616**	1,301
Over 1 year	**4,078**	2,442
	394,397	358,261

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

24 TRADE AND OTHER PAYABLES (Continued)

(iii) On 5 August 2016 ("**Acquisition Date**"), the Group obtained control of Funnytime Limited ("**Funnytime**") and its subsidiaries (collectively, the "**Target Group**") by acquiring 100% of the shares and voting interest in Funnytime from the vendor Mobilefun Limited ("**Vendor**"), a company with 42% equity interest held by Mr. Ren Hao at the Acquisition Date. Mr. Ren is also one of the guarantors ("**Guarantors**") in the Sale and Purchase Agreement (the "**SPA**") entered in relation to the acquisition of Funnytime. Mr. Ren then became one of the directors of the Group in October 2016 and resigned as a director in September 2019. Mr. Ren's controlling interests in Mobilefun Limited changed from 42% to 72% on 18 July 2018.

Contingent consideration is settled in the form of cash and newly issued ordinary shares of the Company depending on achievement of the Target Group's adjusted net profit for each performance year from 2016 to 2018. Pursuant to the SPA, in the event that the adjusted net profit of Funnytime for the period from 1 January 2016 to 31 December 2018 is less than RMB70,000,000 (as defined in the SPA), the Vendor shall pay to the Company the adjustment amount (the "Adjustment Amount") of cash consideration of HKD40,135,567 and the Company shall issue to the Vendor 6,424,734 shares on or before 15 April 2019 in accordance with the price adjustment mechanism stipulated in the SPA. As at 31 December 2019, the Company, the Guarantors and the Vendor were still negotiating the settlement plan and subsequently entered into a settlement deed on 23 January 2020 (see note 33 (a)).

The fair values of the contingent consideration receivables and contingent consideration payables as at 31 December 2019 were RMB26,764,000 (2018: RMB29,548,000) and RMB3,626,000 (2018: RMB3,828,000), respectively, with an aggregate fair value change of approximately RMB3,103,000 recognised as finance costs (2018: RMB49,311,000 recognised as finance income) (note 7 (a)) during the year ended 31 December 2019. The fair values are categorised as Level 3 measurement.

25 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019 (Note)		31 December 2018 (Note)	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	**1,040**	**1,066**	892	915	–	–
After 1 year but within 2 years	**700**	**747**	894	960	–	–
After 2 years but within 5 years	**–**	**–**	668	747	–	–
	700	**747**	1,562	1,707	–	–
	1,740	**1,813**	2,454	2,622	–	–
Less: total future interest expenses		**(73)**		(168)		–
Present value of lease liabilities		**1,740**		2,454		–

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in note 2 (c).

26 DEFERRED INCOME

	2019	2018
	RMB'000	*RMB'000*
Government grants	**41,818**	43,693

All government grants received by the Group towards the cost of construction and improvement of production lines and other facilities, are recognised as deferred income initially, and amortised over the useful lives of the relevant assets.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Contributed surplus RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2018		75,458	307,827	(22,872)	407,248	4,079	78,210	849,950
Changes in equity for 2018:								
Loss for the year		–	–	–	–	–	(4,352)	(4,352)
Other comprehensive income		–	–	19,656	–	–	–	19,656
Total comprehensive income		–	–	19,656	–	–	(4,352)	15,304
New shares issued in connection with contingent consideration	27(b)&(c)	1,959	14,687	–	–	–	–	16,646
Share Award Scheme:								
– Value of employee services		–	–	–	–	2,433	–	2,433
– Vested shares	29(c)	–	–	–	–	(3,993)	(61)	(4,054)
At 31 December 2018		77,417	322,514	(3,216)	407,248	2,519	73,797	880,279

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

The Company (Continued)

	Share capital *RMB'000*	Share premium *RMB'000*	Translation reserve *RMB'000*	Contributed surplus *RMB'000*	Share-based compensation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2019	77,417	322,514	(3,216)	407,248	2,519	73,797	880,279
Changes in equity for 2019:							
Loss for the year	–	–	–	–	–	(12,358)	(12,358)
Other comprehensive income	–	–	9,380	–	–	–	9,380
Total comprehensive income	–	–	9,380	–	–	(12,358)	(2,978)
Share Award Scheme:							
– Value of employee services	–	–	–	–	829	–	829
At 31 December 2019	77,417	322,514	6,164	407,248	3,348	61,439	878,130

(b) Share capital

Authorised

	2019 Number of shares	**2019** Amount *HKD'000*	2018 Number of shares	2018 Amount *HKD'000*
Ordinary shares of HKD0.1 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital (Continued)

Ordinary shares issued and fully paid

	2019			2018		
	Number of shares	**Amount**	**Equivalent**	Number of shares	Amount	Equivalent
	'000	***HKD'000***	***RMB'000***	*'000*	*HKD'000*	*RMB'000*
At 1 January	**855,559**	**85,556**	**77,417**	831,113	83,111	75,458
New shares issued in connection with contingent consideration for acquisition	**–**	**–**	**–**	24,446	2,445	1,959
At 31 December	**855,559**	**85,556**	**77,417**	855,559	85,556	77,417

(c) Reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) Contributed surplus

Contributed surplus represents the excess of the fair value of shares of Xingye Copper International (HK) Limited ("**Xingye Copper (HK)**") determined on the basis of the consolidated net assets of Xingye Copper (HK) at the date of reorganisation of the Group (the "**Reorganisation**") over the nominal value of shares issued by the Company in exchange thereof.

(iii) Capital reserve

Capital reserve represents the excess of the aggregate of the share capital of the subsidiaries acquired and the equity of a predecessor entity with its business transferred to the Group pursuant to Reorganisation, amounting to RMB259,726,000, over the consideration paid by the Company of HKD1,000 (equivalent to RMB968), representing the nominal value of the shares issued by the Company in exchange thereof.

In December 2019, the Group further acquired an additional 2% equity interest of Ningbo Xingye Shengtai Group Ltd., at a consideration of RMB21,300,000, resulting in a decrease in capital reserve of RMB1,666,000.

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves (Continued)

(iv) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the Articles of Association of the companies comprising the Group which are established in the PRC. Appropriations to the reserves were approved by the respective boards of directors.

For the entities concerned, statutory surplus reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of PRC statutory reserves after such conversion is not less than 25% of the registered capital.

(v) Share-based compensation reserve

Share-based compensation reserve represents the value of employee services in respect of awarded shares under the Share Award Scheme as set out in note 29 (c).

(vi) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings and lease liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity attributable to equity shareholders of the Company, as shown in the consolidated statement of financial position, plus net debt. The Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves (Continued)

(vi) Capital management (Continued)

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused an increase in the Group's total debt and hence the Group's gearing ratio rose from 36.25% to 36.34% on 1 January 2019 when compared to its position as at 31 December 2018.

The Group's gearing ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	31 December 2019	1 January 2019 *(Note)*	31 December 2018 *(Note)*
Gearing ratio	**38.13%**	36.34%	36.25%

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 2 (c).

(d) Dividends

No final dividend was declared to equity shareholders of the Company for the year ended 31 December 2019 (2018: Nil).

28 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019	2018
	RMB'000	*RMB'000*
Non-current assets		
Investments in subsidiaries	**449,440**	448,851
Amounts due from subsidiaries	**83,143**	81,332
Interests in subsidiaries *(note 29)*	**532,583**	530,183
Current assets		
Amounts due from subsidiaries	**340,338**	347,450
Other receivables	**16**	30
Cash and cash equivalents	**5,877**	3,239
	346,231	350,719
Current liability		
Other payables	**684**	623
	684	623
Net current assets	**345,547**	350,096
Net assets	**878,130**	880,279
Capital and reserves		
Share capital *(note 27(b))*	**77,417**	77,417
Reserves	**800,713**	802,862
Total equity	**878,130**	880,279

29 INVESTMENTS IN SUBSIDIARIES

(a) Subsidiaries

All of the following entities are subsidiaries as defined under note 2 (e) and have been consolidated into the Group's financial statements. The class of shares held is ordinary shares unless otherwise stated.

Name of company	Place and date of establishment/ incorporation	Percentage of equity attributable to the Company		Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
		Direct	Indirect			
Xingye Copper International (BVI) Limited ("Xingye Copper (BVI)")	British Virgin Islands, July 2007	100%	–	USD1/USD1	Investment holding	Limited liability company
Xingye Copper International (HK) Limited ("Xingye Copper (HK)")	Hong Kong SAR, July 2007	–	100%	HKD4,000,000/ HKD4,000,000	Investment holding and trading of high precision copper plates and strips	Limited liability company
Ningbo Xingye Shengtai Group Ltd. (formerly known as Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd.) ("Shengtai Group") 寧波興業盛泰集團有限公司	The PRC, November 2001	–	99.8%	RMB700,000,000/ RMB700,000,000	Manufacture and sale of high precision copper plates and strips	Limited liability company
Yingtan Xingye Electronic Metal Materials Co., Ltd. ("Yingtan Xingye") 鷹潭興業電子金屬材料有限公司	The PRC, November 2006	–	100%	RMB95,000,000/ RMB95,000,000	Manufacture and sale of high precision copper plates and strips	Limited liability company
Ningbo Xinglie Trade Co., Ltd. ("Xinglie") 寧波興烈貿易有限公司	The PRC, May 2014	–	100%	RMB8,000,000/ RMB21,000,000	Purchase of raw materials	Limited liability company
Ningbo Hangzhou Bay New Zone Qiangtai Metal Materials Co., Ltd. ("Qiangtai") 寧波杭州灣新區強泰金屬材料有限公司	The PRC, May 2010	–	100%	RMB4,395,250/ RMB4,395,250	Trading of high precision copper plates and strips	Limited liability company
Ningbo Xingye Xintai New Metal Materials Co., Ltd. ("Ningbo Xintai") 寧波興業鑫泰新型電子材料有限公司	The PRC, March 2011	–	100%	RMB200,000,000/ RMB200,000,000	Manufacture and sale of high precision copper plates and strips	Limited liability company
Ningbo Xinghong Property Service Co., Ltd. ("Xinghong") 寧波興宏物業服務有限公司	The PRC, November 2015	–	100%	RMB1,000,000/ RMB1,000,000	Property services	Limited liability company
Xingye Investment Holdings (HK) Limited ("Investment (HK)")	Hong Kong SAR, August 2015	–	100%	HKD1/HKD1	Investment holding	Limited liability company

29 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Subsidiaries (continued)

Name of company	Place and date of establishment/ incorporation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
Xingye Investment Holdings Limited ("Investment")	British Virgin Islands, June 2015	–	100%	USD1/USD1	Investment holding	Limited liability company
Funnytime Limited ("Funnytime")	British Virgin Islands, October 2015	–	100%	USD0/USD1,000	Investment holding	Limited liability company
Soul Dargon Limited	Hong Kong SAR, October 2015	–	100%	HKD0/HKD1	Developing, publishing and operating online games	Limited liability company
Hefei Yueyou Network Technology Co., Ltd. ("Yueyou") 合肥悅游網絡科技有限公司	The PRC, January 2016	–	100%	RMB1,000,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Hefei Zhangyue Network Technology Co., Ltd.("Hefei Zhangyue") *(note (b))* 合肥掌悅網絡科技有限公司	The PRC, July 2015	–	100%	RMB1,000,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Shenzhen Zhangyue Network Technology Co., Ltd. *(note (b))* 深圳掌悅網絡科技有限公司	The PRC, August 2015	–	100%	RMB1,000,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Hefei Boyou Network Technology Co., Ltd. 合肥博游網絡科技有限公司	The PRC, May 2017	–	100%	RMB0/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Ningbo Xingqi Trade Co., Ltd. 寧波興齊貿易有限公司	The PRC, September 2017	–	100%	RMB100,000/ RMB100,000	Purchasing of raw materials and trading of high precision copper plates and strips	Limited liability company
Shenzhen Youwei Network Technology Co., Ltd. 深圳游威網絡科技有限責任公司	The PRC, September 2018	–	100%	RMB200,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company

29 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Subsidiaries (continued)

Name of company	Place and date of establishment/ incorporation	Percentage of equity attributable to the Company		Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
		Direct	Indirect			
Shenzhen Doubao Network Technology Co., Ltd. 深圳豆包網絡科技有限公司	The PRC, June 2018	–	100%	RMB200,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Ningbo Xinyue Alloy Material Co., Ltd. 寧波鑫悅合金材料有限公司	The PRC, March 2018	–	100%	RMB81,000,000/ RMB100,000,000	Manufacture and sale of high precision copper plates and strips	Limited liability company
Shenzhen Yueban Network Technology Co., Ltd. 深圳月半網絡科技有限責任公司	The PRC, September 2018	–	100%	RMB100,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Shenzhen Duohao Network Technology Co., Ltd. 深圳多壕網絡科技有限公司	The PRC, September 2018	–	100%	RMB0/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company

i) The English translation of the names of the companies registered in the PRC above is for reference only. The official names of these companies are in Chinese. These PRC companies are all limited liability companies.

29 INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Entities controlled through contractual arrangements

The Group's online gaming business acquired in August 2016 is carried out through several domestic operating companies, incorporated in the PRC, namely Hefei Zhangyue Network Technology Co., Ltd. and Shenzhen Zhangyue Network Technology Co., Ltd., which are collectively defined as the "PRC Operating Entities" hereafter.

Pursuant to applicable PRC laws and regulations, foreign investors are restricted from conducting value-added telecommunications services or holding an equity interest in an entity conducting such services in China. In order to enable the Company to acquire the online games business through its overseas incorporated subsidiaries, a wholly foreign owned enterprise, Yueyou, was incorporated in the PRC in January 2016 by Funnytime, the then target company.

Yueyou has entered into a series of contractual arrangements (the "Contractual Arrangements") with the PRC Operating Entities and their respective equity holders, which enable Yueyou to:

– exercise effective financial and operational control over the PRC Operating Entities;

– exercise equity holders' voting rights of the PRC Operating Entities;

– receive substantially all of the economic interest returns generated by the PRC Operating Entities in consideration for the business support, technical and consulting services provided by Yueyou, at Yueyou's discretion;

– obtain an irrevocable and exclusive right with an initial period of 10 years to purchase the entire equity interest in the PRC Operating Entities from the respective equity holders. This right automatically renews upon expiry until Yueyou specifies a renewal term;

– obtain a pledge over the entire equity interest of the PRC Operating Entities from their respective equity holders as collateral security for all of the PRC Operating Entities' payments due to Yueyou and to secure performance of PRC Operating Entities' obligations under the Contractual Arrangements.

As a result of the Contractual Arrangements, after the acquisition of Funnytime, the Company has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities and is considered to control the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as consolidated structured entities under International Financial Reporting Standards ("IFRSs"). The Group has included the financial position and results of the PRC Operating Entities in the consolidated financial statements since the Acquisition Date.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operating Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Operating Entities. However, the Company believes that the Contractual Arrangements are in compliance with relevant PRC laws and regulations and are legally enforceable.

29 INVESTMENTS IN SUBSIDIARIES (Continued)

(c) A trust for the Share Award Scheme (the "Trust")

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 Company's shares held by the Trustee under the Share Award Scheme will not exceed 20% of the total issued shares of the Company as at the Adoption Date, i.e. 162,223,190 shares.

As the Company has the power to govern the financial and operating policies of the Trust and can derive benefits from the contributions of the employees who have been awarded the shares of the Company (the "Awarded Shares") through their continued employment with the Group, the Group is required to consolidate the Trust.

As at 31 December 2019, the Company had contributed HKD12,010,000 (equivalent to RMB10,136,000) (2018: HKD12,010,000 (equivalent to RMB10,136,000)) to the Trust and the amount was recorded as "Investments in subsidiaries" in the Company's statement of financial position.

As at 31 December 2019, the Trustee had purchased 9,477,000 shares (2018: 8,688,000 shares) of the Company at a total cost (including related transaction costs) of HKD7,967,000 (equivalent to RMB6,884,000) (2018: HKD7,550,000 (equivalent to RMB6,525,000)).

29 INVESTMENTS IN SUBSIDIARIES (Continued)

(c) A trust for the Share Award Scheme (the "Trust") (Continued)

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

	2019			2018		
	Average purchase price	**No. of shares held**	**Value**	Average purchase price	No. of shares held	Value
	HKD		***RMB'000***	*HKD*		*RMB'000*
At 1 January	**0.87**	**2,708,000**	**2,164**	0.86	7,737,000	5,817
Shares purchased during the year	**0.53**	**789,000**	**359**	1.00	551,000	401
Shares vested during the year	–	–	–	–	(5,580,000)	(4,054)
At 31 December	**0.81**	**3,497,000**	**2,523**	0.87	2,708,000	2,164

According to the Resolution of the Administration Committee of the Company on 26 May 2017, 1,000,000 ordinary shares held under the Share Award Scheme were granted to an employee of the Group at nil consideration, with 40%, 30% and 30% of the shares to be vested on 15 June 2017, 15 June 2018 and 15 June 2019, respectively. The vesting conditions are only subject to the service conditions. The grant date fair value of HKD0.7 per share (equivalent to approximately RMB0.62 per share) was determined with reference to the closing price of the Company's ordinary shares on 26 May 2017.

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 (tranche 1), 2,152,000 shares (tranche 2) and 2,628,000 shares (tranche 3) 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.

According to the Resolution of the Board of the Company on 13 December 2018, in order to maintain the employment service of the grantees with the Group for a longer term, the vesting of tranche 2 and tranche 3 awarded shares have been postponed for one year to 13 December 2019 and 13 December 2020 (the "Postponed Vesting Dates"), respectively.

29 INVESTMENTS IN SUBSIDIARIES (Continued)

(c) A trust for the Share Award Scheme (the "Trust") (Continued)

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

According to the Resolution of the Board and the Remuneration Committee of the Company on 26 November 2019, in order to incentivise and encourage the grantees to maintain their employment with the Group, the Postponed Vesting Dates were further postponed for one year to 13 December 2020 and 13 December 2021, respectively. In addition, the vesting of the remaining 300,000 shares granted on 26 May 2017 as mentioned above will also be postponed and be dealt with together with the tranche 2 and tranche 3.

The modification was not beneficial to the grantees, therefore, there was no impact on the fair value cost of the awarded shares. A service cost of RMB829,000 (2018: RMB2,264,000) was recognised in the consolidated statement of profit or loss.

(ii) Movements in the number of awarded shares for the years ended 31 December 2019 and 2018 are as follows:

	Number of awarded shares
At 1 January 2018	10,660,000
Vested	(5,580,000)
Forfeiture	(180,000)
At 31 December 2018	4,900,000
Forfeiture	(216,000)
At 31 December 2019	4,684,000

During the year ended 31 December 2019, nil shares (2018: nil) were granted to Directors of the Company.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit risks, liquidity risks, interest rate risks, currency risks and commodity price risks arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risks are primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, bank deposits with maturity over three months, restricted bank deposits, structured bank deposits, derivative financial assets and bills receivables is limited because the counterparties are banks, for which the Group considers to have low credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade receivables

The Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 23% (2018: 15%) and 38% (2018: 39%) of the total trade receivables were due from the Group's largest customer and five largest customers respectively.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 7 to 90 days from the date of billing. Debtors with balances that are more than the credit term given by the Group are generally requested to settle all outstanding balances before any further credit is granted. In order to mitigate credit risk, the Group purchased credit insurance from an insurance company for the trade receivables of major customers.

The Group does not provide any guarantees which would expose the Group to credit risk.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables based on different business segments:

Copper segment:

	2019		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	***RMB'000***	***RMB'000***
Current (not past due)	**1.7%**	**264,033**	**4,605**
1 – 90 days past due	**2.9%**	**7,649**	**221**
91 – 180 days past due	**3.0%**	**198**	**6**
More than 180 days past due	**33.3%**	**42**	**14**
		271,922	**4,846**

	2018		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.9%	225,788	4,391
1 – 90 days past due	2.8%	143	4
91 – 180 days past due	5.0%	–	–
More than 180 days past due	31.4%	35	11
		225,966	4,406

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Online games segment:

	2019		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	**0.0%**	**7,538**	**–**
1 – 90 days past due	**4.9%**	**386**	**19**
91 – 180 days past due	**25.0%**	**8**	**2**
More than 180 days past due	**92.8%**	**17,578**	**16,307**
		25,510	**16,328**

	2018		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.0%	19,397	–
1 – 90 days past due	4.9%	1,215	60
91 – 180 days past due	30.3%	155	47
More than 180 days past due	98.5%	10,737	10,571
		31,504	10,678

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019	2018
	RMB'000	*RMB'000*
Balance at 1 January	**15,084**	5,033
Impairment losses recognised during the year	**6,090**	10,051
Balance at 31 December	**21,174**	15,084

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance:

– increase in amounts past due over 180 days resulted in an increase in loss allowance of RMB5,739,000 (2018: RMB10,582,000).

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with any lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

	2019 Contractual undiscounted cash outflows			
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**Total**	**Carrying amount at 31 December**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Interest-bearing borrowings	**771,713**	**79,465**	**851,178**	**845,941**
Trade and other payables	**436,815**	**–**	**436,815**	**436,815**
Lease liabilities *(note)*	**1,066**	**747**	**1,813**	**1,740**
	1,209,594	**80,212**	**1,289,806**	**1,284,496**

	2018 Contractual undiscounted cash outflows			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	Carrying amount at 31 December
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing borrowings	743,937	46,728	790,665	774,023
Trade and other payables	390,665	–	390,665	390,665
	1,134,602	46,728	1,181,330	1,164,688

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 2 (c).

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. Changes in exchange rates affect the Renminbi value of sales proceeds of products, the settlement of liabilities for purchase and repayment of loans that are denominated in foreign currencies.

Exposure to currency risk

The following table details the Group's exposures at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group used foreign exchange forward contracts to manage its currency risk. All of the foreign exchange forward contracts have maturities of less than one year after the end of the reporting period.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Exposure to currency risk (Continued)

	2019			2018		
	United Stated Dollars RMB'000	Euros RMB'000	Japanese Yen RMB'000	United Stated Dollars RMB'000	Euros RMB'000	Japanese Yen RMB'000
Trade and other receivables	33,076	–	–	51,074	–	–
Cash and cash equivalents	114,875	–	–	107,132	–	–
Restricted bank deposits	80,226	–	–	20,590	–	–
Interest-bearing borrowings	(133,990)	–	–	(125,046)	–	–
Trade and other payables	(170,182)	(10,399)	(814)	(182,614)	(10,125)	(524)
Gross exposure arising from recognised assets and liabilities	(75,995)	(10,399)	(814)	(128,864)	(10,125)	(524)
Notional amounts of foreign exchange forward contracts used as economic hedges	–	–	–	130,401	–	–
Net exposure arising from recognised assets and liabilities	(75,995)	(10,399)	(814)	1,537	(10,125)	(524)

The Group:

	Average rate		Rate at reporting date	
	2019	2018	2019	2018
USD1	6.8985	6.6174	6.9762	6.8632
EUR 1	7.7255	7.8016	7.8155	7.8473
JPY 1	0.0633	0.0585	0.0641	0.0619

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Exposure to currency risk (Continued)

Sensitivity analysis

A 5 percent strengthening of the Renminbi against the following currencies at 31 December 2019 would have changed profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	2019	2018
	RMB'000	*RMB'000*
Effect on profit after tax and equity increase/(decrease)		
USD	**2,850**	(58)
EUR	**390**	380
JPY	**31**	20

A 5 percent weakening of the Renminbi against the above currencies at 31 December 2019 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings and lease liabilities.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows.

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Fixed rate borrowings		
– Lease liabilities *(note 25)*	1,740	–
– Interesting bearing borrowings *(note 23)*	576,441	601,523
Variable rate borrowings		
– Interesting bearing borrowings *(note 23)*	269,500	172,500
	847,681	774,023

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 2 (c).

Fair value sensitivity analysis for fixed rate borrowings

The Group does not account for any fixed-rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate borrowings

As at 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax for the year and consolidated equity by approximately RMB2,021,000 (2018: RMB1,294,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and consolidated equity that would arise assuming that the change in interest rates had occurred at the reporting date and had been applied to re-measure those floating rate non-derivative instruments held by the Group which expose the Group to cash flow interest rate risk at the reporting date. The impact on the Group's profit after tax and consolidated equity is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis as 2018.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(iii) Commodity price risk

The Group uses future contracts traded on the Shanghai Futures Exchange and London Metal Exchange to hedge against price fluctuations of raw materials, mainly copper. The future contracts are marked to market at the reporting date and the corresponding unrealised holding gains/losses are recorded in profit or loss. For details of the exposure to future contracts, please refer to note 19.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

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

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

	Fair value at 31 December 2019	**Fair value measurements as at 31 December 2019 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Assets:				
Derivative financial instruments:				
– Future contracts	**565**	**565**	**–**	**–**
Structured bank deposits	**20,118**	**–**	**20,118**	**–**
Contingent consideration receivables	**26,764**	**–**	**–**	**26,764**
Liabilities:				
Derivative financial instruments:				
– Future contracts	**(7,775)**	**(7,775)**	**–**	**–**
Contingent consideration payables	**(3,626)**	**–**	**–**	**(3,626)**

	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
Derivative financial instruments:				
– Future contracts	876	876	–	–
Contingent consideration receivables	29,548	–	–	29,548
Liabilities:				
Derivative financial instruments:				
– Future contracts	(209)	(209)	–	–
– Foreign exchange forward contracts	(13)	(13)	–	–
Contingent consideration payables	(3,828)	–	–	(3,828)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of contingent consideration receivables is estimated as being the present value of future cash flows, applying a risk-adjusted discount rate.

(ii) Fair values of financial instruments carried at other than fair value

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

31 COMMITMENTS

(a) Capital commitments

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

	2019	2018
	RMB'000	*RMB'000*
Contracted for	**597,963**	18,808

31 COMMITMENTS (Continued)

(b) Operating lease commitments

At 31 December 2018, non-cancellable operating lease rentals in respect of staff dormitories and office buildings were payable as follows:

	RMB'000
Within 1 year	1,045
Over 1 year but less than 5 years	1,741
	2,786

The Group is the lessee in respect of a number of buildings and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2 (c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2 (k), and the details regarding the Group's future lease payments are disclosed in note 25.

32 RELATED PARTY TRANSACTIONS

Key management personal remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Short-term employee benefits	**5,701**	4,857
Equity-settled share-based payments	**375**	1,151
Post-employee benefits	**65**	46
	6,141	6,054

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 23 January 2020, the Group, the Vendor and the Guarantors entered into a settlement deed ("Settlement Deed") with respect to the settlement of the contingent consideration receivables and contingent consideration payables, as disclosed in note 18 and note 24, pursuant to which: (i) the Company shall cancel the issuance of, and be relieved from the obligation to issue 6,424,734 shares at the cancellation price of HKD0.80 per share; (ii) the Company shall buy back and cancel the 41,000,000 shares from the Vendor at the buy-back price of HKD0.80 per share; and (iii) the Vendor shall settle the residual repayment of HKD2,195,779.80.

Pursuant to a special resolution passed at the Extraordinary General Meeting of the Company, the Settlement Deed was approved on 9 March 2020.

(b) The global spread of the coronavirus since the beginning of 2020 is an uncertain and challenging situation faced by all industries. The Group has assessed the overall impact of the situation on the operations and employees of the Group, and has taken reasonable measures to limit the impact of the Group. The Group will continue to pay close attention to the situation and take timely actions or make adjustments in the future as appropriate.

34 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2 (c).

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2019, the Directors consider the immediate and ultimate controlling parties of the Group to be various parties including 4 entities and 4 individuals. The 4 entities do not produce financial statements available for public use.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform	1 January 2020
Amendments to IFRS 3, Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8, Definition of Material	1 January 2020
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**4,253,075**	4,996,057	4,495,001	3,435,511	2,942,663
Gross profit	**401,807**	418,378	524,434	552,532	258,328
Profit attributable to equity shareholders of the Company	**59,262**	27,529	135,544	84,805	18,848

EARNINGS PER SHARE

	2019	2018	2017	2016	2015
Basic earnings per share [1] *(RMB)*	**0.07**	0.03	0.16	0.10	0.02
Diluted earnings per share [1] *(RMB)*	**0.07**	0.03	0.16	0.10	0.02

ASSETS, LIABILITIES AND EQUITY

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Non-current assets	**1,003,367**	997,383	1,177,371	1,288,991	1,191,086
Current assets	**1,549,482**	1,389,645	1,478,085	1,268,335	1,042,426
Total assets	**2,552,849**	2,387,028	2,655,456	2,557,326	2,233,512
Non-current liabilities	**121,364**	94,692	313,239	190,783	394,483
Current liabilities	**1,318,640**	1,217,972	1,302,976	1,480,653	1,035,954
Total liabilities	**1,440,004**	1,312,664	1,616,215	1,671,436	1,430,437
Net current assets/(liabilities)	**230,842**	171,673	175,109	(212,318)	6,472
Total assets less current liabilities	**1,234,209**	1,169,056	1,352,480	1,076,673	1,197,558
Total equity attributable to equity shareholders of the Company	**1,110,928**	1,051,913	1,012,172	858,131	778,772
Non-controlling interests	**1,917**	22,451	27,069	27,759	24,303

FIVE YEARS FINANCIAL SUMMARY

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2019	2018	2017	2016	2015
EBITDA *(RMB'000)*	**216,481**	193,123	310,799	221,524	128,913
Profitability ratios:					
Gross profit margin (2) *(%)*	**9.4%**	8.4%	11.7%	16.1%	8.8%
Operating profit margin (3) *(%)*	**2.5%**	1.0%	4.8%	4.7%	2.5%
Net profit margin (4) *(%)*	**1.4%**	0.6%	3.0%	2.5%	0.6%
EBITDA margin (5) *(%)*	**5.1%**	3.9%	6.9%	6.4%	4.4%
Rate of return on equity (6) *(%)*	**5.3%**	2.6%	13.4%	9.9%	2.4%
Liquidity ratios:					
Current ratio (7) *(times)*	**1.2**	1.1	1.1	0.9	1.0
Quick ratio (8) *(times)*	**0.6**	0.6	0.6	0.5	0.6
Inventory turnover (9) *(days)*	**42**	37	40	42	46
Trade receivable turnover (10) *(days)*	**27**	28	34	31	32
Trade payable turnover (11) *(days)*	**36**	34	53	69	58
Capital adequacy ratios:					
Gearing ratio (12) *(%)*	**38.1%**	36.2%	40.6%	38.3%	44.1%
Net gearing ratio (13) *(%)*	**34.5%**	42.6%	56.0%	56.4%	74.6%
Interest coverage ratio (14) *(times)*	**6.0**	5.0	7.3	5.1	2.4

Notes:

(1) The basic earnings per share and diluted earnings per share are equal to the profit attributable to equity shareholders of the Company divided by the weighted average number of ordinary share in issue during the year and weighted average number of ordinary share(diluted), respectively.

(2) Gross profit margin is equal to gross profit divided by turnover times 100%.

(3) Operating profit margin is equal to operating profit divided by turnover times 100%.

(4) Net profit margin is equal to profit attributable to equity shareholders of the Company divided by turnover times 100%.

(5) EBITDA margin is equal to EBITDA divided by turnover times 100%.

(6) Rate of return on equity is equal to profit attributable to equity shareholders of the Company divided by total equity attributable to equity shareholders of the Company times 100%.

(7) Current ratio is equal to current assets divided by current liabilities.

(8) Quick ratio is equal to current assets net of inventories divided by current liabilities.

(9) Inventory turnover is equal to the average of the beginning and ending inventory volume for the year divided by the sales volume times 365 days.

(10) Trade receivable turnover is equal to the average of the beginning and ending trade and bills receivables for the year divided by turnover times 365 days.

(11) Trade payable turnover is equal to the average of the beginning and ending trade and bills payables for the year divided by cost of sales times 365 days.

(12) Gearing ratio is equal to net debt (total interest-bearing borrowings and lease liabilities less cash and cash equivalents) divided by total capital (equity attributable to equity shareholders of the Company plus net debt) times 100%.

(13) Net gearing ratio is equal to net debt net of structured bank deposits, restricted bank deposits and bank deposits with maturity over three months divided by total equity attributable to equity shareholders of the Company times 100%.

(14) Interest coverage ratio is equal to EBITDA divided by interest expenses.