2020 ANNUAL REPORT

Xingye Alloy Materials Group Limited

興業合金材料集團有限公司

(formerly known as Huan Yue Interactive Holdings Limited)

(incorporated in the Cayman Islands with limited liability)

Stock Code : 00505

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HU Changyuan *(Chairman)*
Mr. HU Minglie *(Chief Executive Officer)*
Mr. ZHU Wenjun

Non-Executive Director

Mr. DAI Jianchun (resigned on 24 June 2020)

Independent Non-Executive Directors

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

Audit Committee

Mr. CHAI Chaoming *(Chairman)*
Mr. DAI Jianchun (ceased on 24 June 2020)
Ms. LU Hong
Dr. LOU Dong (appointed on 24 June 2020)

Remuneration Committee

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

Nomination Committee

Mr. CHAI Chaoming *(Chairman)*
Mr. DAI Jianchun (ceased on 24 June 2020)
Ms. LU Hong
Dr. LOU Dong

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. 31, Jiaan 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.xingyealloy.com

STOCK CODE

505

CHAIRMAN'S STATEMENT

On behalf of the board of directors, I am pleased to present the annual report of Xingye Alloy Materials Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020.

In 2020, the Group continued to adhere to the working guidelines of "expansion and innovation, quality stabilisation and cost reduction, improvement and development". Under the leadership of the board of directors and the concerted efforts of all employees, the Group's copper processing business overcame the severe impact of the COVID-19 pandemic, and the sales of copper alloy plates and strips products continued to increase as compared with 2019. Meanwhile, in 2020, the Group accelerated the process of product import substitution and tapped into the cooperation channels for several key target customers in China, which laid a solid foundation for the continuous development of the product market, achieving a steady increase in market share and the continuous expansion of brand influence.

In 2020, the global economy was severely impacted by the COVID-19 pandemic, and the recovery of countries and regions diverged due to the different effects of pandemic prevention and control in different countries and regions. China conducted pandemic prevention and control in a coordinated way so that the pandemic was effectively controlled, coupled with the quantitative easing policy and the policies that benefited enterprises and the people. As a result, many industries entered a rapid recovery period after a short period of decline, and basically recovered to the pre-pandemic capacity since the second half of the year. China became the only major economy across the world that achieved positive growth in 2020. During the reporting year, the prices of non-ferrous metals first showed a falling trend, which was then followed by a rise, and the prosperity of the industry continued to improve.

In 2020, benefiting from the sharp contraction in the output of upstream raw materials and the production of international peers, orders in China's copper processing industry continued to increase, even in short supply. During the reporting year, the Group achieved production and sales volume of 132,000 tons, and continued to maintain leadership in the domestic high-precision copper alloy plates and strips industry.

I am hereby pleased to announce that the profit attributable to shareholders of the Company for 2020 was RMB150.8 million, representing a year-on-year increase of 154.5%, and the annual revenue was RMB4,534.9 million, representing a year-on-year increase of 6.6%.

OUTLOOK

In 2021, the international economy will still be in a stage of slow recovery in the post-pandemic period, and anti-pandemic and economic recovery will continue to be the main theme of the international economy for the year. It is expected that economic and trade frictions between major economies will intensify. With the previous experience accumulated, we believe that under the leadership of the board of directors and with the joint efforts of all employees, the Group will be able to react to various risks and emergencies, and continue to firmly move towards the goal of building a world-leading century-old enterprise.

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 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

The Group's total revenue amounted to RMB4,534.9 million, representing an increase of 6.6% as compared to RMB4,253.1 million in 2019. The Group's profit attributable to the shareholders increased by 154.3%, from RMB59.3 million in 2019 to RMB150.8 million.

COPPER PROCESSING BUSINESS

Market and Industry Review

In 2020, the copper price first showed a falling trend, which was then followed by a rise. The London Metal Exchange (LME) copper price fluctuated from around USD4,350 to around USD8,000 per ton during the year. In the first quarter of the year, the copper price temporarily rose to the highest point of USD6,343 per ton at the beginning of the year, and then followed by a sharp drop to USD4,371 per ton on 19 March 2020 due to the worldwide outbreak of the COVID-19 pandemic. From a fundamental point of view, although the global refined copper production was affected to a certain extent under the pandemic in the first quarter, the decline in overall production volume was not significant, and the impact on demand side was significantly higher than that on supply side. In China, most of the downstream copper processing enterprises were shut down, and sales orders suffered a significant decline. The production resumption in infrastructure, power, real estate and other copper consuming fields was mostly delayed, and downstream processing companies and the end markets were more seriously impacted by the pandemic than smelting factories. Therefore, the copper market suffered a serious excess of supply due to traditional seasonal factors and the impact of the pandemic. In addition, with the spread of the COVID-19 pandemic around the world, overseas demand continued to shrink and market panic rose significantly. Investors became more concerned about economic recession and the severeness of the pandemic across the globe. The US dollar as a safe-haven asset rebounded sharply, while the global financial market plummeted, and the commodity market crashed as well. The LME copper price hit a new low point over the past four years.

During the second quarter of the year, the pandemic was basically brought under control domestically. Although the overseas pandemic situation was still deteriorating and the economic data of all countries around the world showed a major decline, the market had certain expectations about the pandemic, and the market pessimism had been released in advance to a certain extent. As a result, the pressure on copper price gradually weakened. After entering the traditional peak season of demand in April, the demand of domestic downstream companies started to recover, and the situations of end markets such as power, infrastructure and home appliances improved, promoting the continuous destocking of the domestic copper market. From the supply side perspective of copper concentrate, the severe spread of the pandemic in South America and Africa aggravated the tight supply of copper ores across the globe.

In the second half of 2020, the rising trend of copper prices since the second quarter continued, and the fluctuation range of copper prices moved upward steadily. From a macro perspective, the global monetary quantitative easing policies, the weakening US dollar and the strong performance of China's economic data had driven a significant rebound in investor appetite for risk assets and a strong commodity market. Fundamentally, the tight supply of copper scrap and copper concentrate in the domestic market remained unchanged. Market demand in the fourth quarter was remarkably better than expected, as the copper inventory in global markets fell to a record low, and the aggressive entry of long funds drove a surge in copper price. The LME copper price peaked at USD8,028 per ton, setting a new high since 2013.

The closing price of three-month copper futures as quoted on LME on the last trading day of 2020 was USD7,753.5 per ton, representing an increase of 25.68% from the last trading day of 2019.

The copper price in Shanghai Futures Exchange moved in a similar trend with that of the LME market. Due to the weakening US dollar index throughout the year, RMB appreciated sharply in 2020, resulting in a lower increase in copper price in Shanghai Futures Exchange than that of the LME copper price. The highest price of SHFE three-month copper future in 2020 was RMB59,640 per ton on 21 December 2020, while the lowest price was RMB35,300 per ton on 23 March 2020.

The surge in copper market in 2020 was related to the proactive fiscal and monetary policies of the countries affected by the pandemic, and the decrease in copper stocks to a record low was also the major driver for price increase. In the first quarter of 2021, such environment continued, but the negative factors for copper price may appear in the second half of the year. Overall, the Group is cautiously optimistic about the copper price in 2021.

In respect of copper plates and strips industry, due to the outbreak of the pandemic in early 2020, the copper plate and strip processing enterprises in China were severely impacted in January and February of 2020, in particular, a large number of enterprises were shut down, and the operating rate of enterprises greatly reduced. Since March 2020, with the strong containment measures of the pandemic in China, copper plate and strip processing enterprises actively resumed work and production, and the consumption of copper plates and strips in end markets gradually recovered. Meanwhile, China introduced timely economic stimulus measures including "new infrastructure" investment and enhancement of domestic consumption, bringing strong growth prospects for the consumption of copper plates and strips in end markets. Driven by domestically favorable factors, the copper plate and strip processing industry in China has been growing steadily since the second quarter of 2020. In general, the operation of China's copper plate and strip industry in 2020 demonstrated a trend of first decelerating then accelerating, and the overall production resumption of the industry was better than that of 2019.

According to the research of Antaike, an industry research institute, China's copper plate and strip processing capacity reached 4.4 million tons in 2020, a year-on-year increase of 7.96%, and the output reached 2.9 million tons, a year-on-year increase of 2.2%. According to import statistics, it is estimated that the total import volume of copper plates and strips of China in 2020 will reach 113,200 tons, a year-on-year increase of 1.31%, and the total export volume will reach 48,800 tons, a year-on-year increase of 24.24%. In the whole year, the consumption of copper plates and strips in China reached almost 3.0 million tons, a year-on-year increase of 1.87%, and the capacity utilisation rate of copper plate and strip processing enterprises across China was 66.39%, a year-on-year decrease of 5.33%.

Business Review

During the reporting year, the Group's copper processing business realised a total revenue of RMB4,519.7 million and sales volume of 136,470 tons, representing an increase of 6.9% and 3.3% respectively over 2019. The revenue from manufacturing and sales of precision copper plates and strips was RMB4,229.3 million, representing an increase of 6.7% from RMB3,964.0 million of last year. The sales volume of precision copper plates and strips was 92,818 tons, representing an increase of 4.3% from 88,987 tons in the same period of last year. The increase in copper plates and strips revenue was mainly due to an increase in sales volume and copper price. During the reporting year, copper products processing services revenue reached RMB206.9 million, representing a decrease of 1.0% from RMB209.0 million of last year. While the volume of processing services was 39,417 tons, representing an increase of 0.8% from 39,116 tons of last year. During the reporting year, revenue from trading of raw materials was RMB83.5 million, representing an increase of 56.4% from RMB53.4 million of last year. Trade sales were 4,235 tons, representing an increase of 6.1% from 3,991 tons of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Development

In 2020, the COVID-19 pandemic caused an unprecedented impact on domestic and global economic development, and also caused certain difficulties to the development of the Group's copper processing business. However, with the concerted efforts of the Board and all employees, the Group resumed production as quickly as possible, and achieved full production capacity in the most efficient time. Looking back on the whole year, the Group's copper processing business experienced a decline in sales orders and financial performance in the first half of the year, and a strong rebound in the second half of the year, and finally exceeding the targets for production, sales and net profit. In 2020, the specific work carried out by the Group for its copper processing business and the major results achieved are as follows:

1. In respect of new products, the Company completed a major expansion in the product application field such as the application of products in the integrated circuit industry, further application expansion in the automotive industry, and an increase in sales of hot-dip tinned products. Moreover, our products in rail transit and consumer electronics fields have also been improved in terms of sales volume and the number of new customers entered. During the year, the Group produced and sold a total of over 4,000 tons of various new products. At the same time, the Group has made effective breakthroughs in the research and development of new products by focusing on technological exploration and improvement of product quality including copper-chromium-zirconium series, copper-nickel-silicon series, tinned copper strips, and copper-titanium alloy.

2. The Group continuously improved its business model of raw materials procurement by reducing the radius of the supply chain, in order to reduce transportation costs, and making full use of the cost differences between new and old materials to effectively reduce the input costs of production.

3. In respect of quality improvements, through the implementation of the "Ten Quality Improvement Measures", especially in the second half of the year, the Group made notable progress in quality improvements.

4. In respect of cost reduction and efficiency enhancement, the Group has carried out more than 100 projects of various types this year, covering production, marketing, equipment, technology, research and development, procurement, planning and scheduling, information, human resources, finance and other departments, all of which made great contributions to increase the Group's competitiveness.

5. In respect of management improvement, during this year, the Group has carried out management reform with "people" as the core value in various aspects including system processes, discipline, personnel structure, talent training, etc. The Group has promoted many outstanding young employees to enrich the middle level management in order to build a solid a foundation for the sustainable development of the Group. Meanwhile, in respect of production, the Group has systematically carried out detailed and visual management, staff team construction at key positions, establishment of part-time technician system, launch of equipment software, improvement of machine related position assessment system, etc.

Outlook

Currently, with the pandemic having been effectively contained and the global economy gradually recovering, the copper strip and plates industry is embracing a prosperous development, creating a great opportunity for the Group. The Board is confident that we will be able to seize the opportunity to achieve our goals and take a more solid step towards the vision of building a "world-leading century-old enterprise".

MANAGEMENT DISCUSSION AND ANALYSIS

GAMING BUSINESS

Industry Review

According to the China's Gaming Industry Report in 2020 (the "**Report**"), the sales revenue of China's game market increased and the actual sales revenue for the whole year maintained a rapid growth to RMB278.687 billion, representing an increase of RMB47.81 billion from that of 2019, or a year-on-year increase of 20.71%.

In 2020, the number of game users in China maintained a steady growth. The number of users reached 665 million, a year-on-year increase of 3.7%, among which the number of mobile game users reached 654 million, a year-on-year increase of 4.84%. The scale of game users has entered a stage of slow development, and the growth of new users has stabilised.

In 2020, the actual sales revenue of China's mobile game market was RMB209.676 billion, representing an increase of RMB51.565 billion from that of 2019, or a year-on-year increase of 32.61%. The actual sales revenue of the terminal-end game market was RMB55.92 billion, representing a decrease of RMB5.594 billion from that of 2019, or a year-on-year decrease of 9.09%. The actual sales revenue of the web game market was only RMB7.608 billion, representing a decrease of RMB2.261 billion from that of 2019, or a year-on-year decrease of 22.9%.

In 2020, the market share and sales revenue of the mobile game market continued to expand, and the terminal-end game market and the web game market continued to shrink, as evidenced by the fact that the actual sales revenue and the proportion of market segments declined significantly, the relevant research and development activities and number of operators of the web game market has constantly decreased in recent years, the number of users have gradually declined, and the launch of new products have also decreased.

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 two domestic companies, namely Hefei Zhangyue Network Technology Co., Ltd. ("**Zhangyue**") and Ningbo Longhui Network Techonlogy Co., Ltd. ("**Longhui**") both controlled through contractual agreements. Funnytime achieved total revenue of RMB15.2 million and net loss of RMB6.9 million for the year ended 31 December 2020, representing a decrease of 43.1% and an increase in loss of 312.5% respectively over 2019. The decrease in revenue is mainly because the revenue of existing gaming products was shrinking and new products were still being developed.

On 21 June 2016, Xingye Investment Holdings Limited ("**Xingye**") (as purchaser and being a wholly-owned subsidiary of the Company), Mobilefun Limited ("**Mobilefun**") (as vendor), and the Guarantors (namely, Mr. Ren Hao and Mr. Yang Jiong), together with Mr. Tong Xin (as guarantor), entered into the sale and purchase agreement ("**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 a 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, the Funnytime 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 Funnytime 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 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 of his interest in the Mobilefun to Mr. Ren. The Guarantors (being Mr. Ren and Mr. Yang Jiong) remained as the guarantors under the SPA.

Given that Funnytime failed to meet its performance target for the year ended 31 December 2018, according to the consideration adjustment mechanism under the SPA, Mobilefun should repay Xingye the repayment amount of HKD40,135,567 with respect to the cash portion (the "**Repayment Amount**"), and the remaining number of Consideration Shares to be issued to Mobilefun was 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 a 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. The Company further announced that all conditions under the Settlement Deed had been fulfilled and completion of Share Buy-back took place on 16 April 2020. The sale shares (i.e. 41,000,000 shares of the Company) had been cancelled by the Company on 17 April 2020. The residual repayment amount of HKD2,195,779.80 was settled in September 2020.

Business Development

Research and Development Center

In 2020, in order to cater for the market demands and enhance competitiveness, the Group's online gaming business focused on mobile game research and development. Through the gradual increase in the investment of research and development throughout the year, research and development personnel have accounted for more than 60% of the total staff of our online gaming business. In 2020, we have completed the development and the first phase technical testing of a new mobile game product named Yi Qi Lai Xiu Xian (《一起來修仙》), and have established a partnership with a well-known listed company for its publication. The product is expected to be officially launched in China in the second quarter of 2021. The development of the new H5 web game project is also being accelerated, and the Company plans to conduct online testing in the second quarter of 2021.

Operation Center

Although the total revenue from some of our web game products including Art of War and Three Kingdoms (《兵法三國》) and Ambition of Three Kingdoms 2 (《三國之志2》) has been decreasing, they still could generate average monthly revenue ranging from approximately RMB1.0 million to RMB1.5 million from each product respectively. In addition to traditional games, the self-developed product "Zhe Jiu Shi Xiu Xian" 《這就是修仙》 has been launched on WeChat and QQ mini-programme to expand multiple channels for online operations, and has been introduced in the overseas markets. In the future, the publication center will gradually transform into a professional publication team with self-developed products as our core products, and supplemented by third-party products, and also be equipped with the capacity to tap into overseas markets.

Outlook

After years of development, the Group's gaming business has adapted to the new trend in the industry. Particularly, certain games are in the pipeline. Also, we will continue to develop and operate web games, mobile games and H5 games by leveraging our experience accumulated from self-research and self-operation. Creating high-quality gaming products, choosing appropriate promotion channels, and building a strong content ecology will continue to be the core strategy for the Group's gaming business.

FINANCIAL REVIEW

Revenue and gross profit

The Group's copper business achieved total revenue of RMB4,519.7 million for the year ended 31 December 2020, and the Group's online gaming business achieved revenue of RMB15.2 million.

For the year ended 31 December 2020, the Group recorded total sales revenue of RMB4,534.9 million, which increased by 6.6% from RMB4,253.1 million of last year. The increase in the revenue of the Group's copper business was mainly due to an increase in sales volume of copper products and copper price. The Group sold 136,470 tons of copper products, which increased by 3.3% from 132,094 tons of 2019. The Group recorded a gross profit of RMB536.9 million for 2020, which increased by 33.6% as compared with 2019. The increase in gross profit is mainly due to an increase in copper price in the current year.

Other income

For the year ended 31 December 2020, the Group recorded other income of RMB25.0 million, which increased by RMB3.5 million as compared to 2019, and was mainly due to an increase in government grants.

Other expenses

For the year ended 31 December 2020, other expenses of the Group was RMB107.3 million, which increased by RMB71.0 million from RMB36.3 million in 2019. This was mainly due to the net effect of a loss on derivative financial instruments of RMB101.8 million in 2020, and no further impairment loss on goodwill in 2020 as compared with RMB28.3 million in 2019.

Distribution expenses

For the year ended 31 December 2020, distribution expenses of the Group decreased by RMB3.7 million from RMB46.3 million in 2019 to RMB42.6 million in 2020.

Administrative expenses

For the year ended 31 December 2020, administrative expenses of the Group increased by RMB7.7 million from RMB234.5 million in 2019 to RMB242.2 million in 2020, and was mainly due to an increase in employee salaries.

Net finance income/(costs)

For the year ended 31 December 2020, the Group's net finance income was RMB4.7 million (2019: net finance costs of RMB30.7 million). This was mainly because the Group recorded gains on net foreign exchange of RMB9.7 million, and changes in fair value of contingent consideration receivables and contingent consideration payables of RMB9.8 million.

Income tax

For the year ended 31 December 2020, the Group's income tax expense increased by RMB8.2 million to RMB23.5 million from RMB15.3 million in 2019, and the effective tax rate (excluding impairment loss on goodwill and changes in fair values of contingent consideration receivables and payables) was 14.2% in 2020, which was comparable with that of 14.3% in 2019.

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 RMB91.5 million to RMB150.8 million in 2020 from RMB59.3 million in 2019.

Liquidity and financial resources

As at 31 December 2020, the Group recorded net current assets of RMB438.5 million, compared with net current assets of RMB230.8 million as at 31 December 2019.

The short-term interest-bearing borrowings represented 90.3% of total interest-bearing borrowings as of 31 December 2020. As at the date of this report, the Group had not experienced any difficulty in raising funds by securing and rolling over 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 RMB1,513.1 million (including long term loan facilities amounting to RMB379.2 million effective until 2026) and RMB645.8 million (comprised of structured bank deposits of RMB5.0 million, restricted bank deposits of RMB279.3 million, bank deposits with maturity over three months of RMB138.2 million and cash and cash equivalents of RMB223.3 million) respectively. Based on previous experience and the Group's relationships with its principal lending banks, the Board believes that the Group can rollover existing short-term bank borrowings upon their maturity in the coming year. The Board is confident that the Group has adequate financial resources to sustain its working capital requirements and to meet its foreseeable debt repayment requirements.

As at 31 December 2020, the Group had outstanding bank loans and other borrowings of approximately RMB828.4 million, which shall be repaid within 1 year. As at 31 December 2020, 68.9% of the Group's debts were on a secured basis.

The net gearing ratio as at 31 December 2020 was 36.2% (31 December 2019: 38.1%), 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 2020, the Group pledged assets with an aggregate carrying value of RMB618.7 million (31 December 2019: RMB733.6 million) to secure bank loan facilities.

Capital expenditure

In the year ended 31 December 2020, the Group invested RMB61.2 million in the purchase of property, plant and equipment. This capital expenditure was largely financed by internal resources and bank loans.

Capital commitments

As at 31 December 2020, future capital expenditures, for which the Group had contracted but not provided for, amounted to approximately RMB570.1 million, which is mainly for plant construction and capacity expansion of the Group's copper processing business.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities.

MARKET RISK

The Group is 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 2020, the Group had 1,336 employees, of which the copper business and online gaming business had 1,277 and 59 employees respectively. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to our employees. Benefits of our 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 existing employees can upgrade or improve their skills.

ENVIRONMENTAL AND REGULATORY POLICES

Environmental protection and energy conservation are 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 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

Completion of the Share Buy-back took place on 16 April 2020 and the 41,000,000 shares of the Company were cancelled by the Company on 17 April 2020. The aggregate consideration (before expenses) for the Share Buy-back was HKD32.8 million. Details of the Share Buy-back are set out in the Company's announcements dated 23 January 2020, 9 March 2020 and 16 April 2020 and the Company's circular dated 13 February 2020. Except for the Share Buy-back, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE REPORT

The Board is committed to promoting 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 2020, 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 2020.

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, 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.

CORPORATE GOVERNANCE REPORT

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 2020, the Board convened a total of 9 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)*	9	9
Mr. HU Minglie *(Chief Executive Officer)*	9	9
Mr. ZHU Wenjun	9	9
Non-executive Director		
Mr. DAI Jianchun (resigned on 24 June 2020)	3	3
Independent Non-executive Directors		
Mr. CHAI Chaoming	9	9
Dr. LOU Dong	9	9
Ms. LU Hong	9	9

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 with their record of training they received for the year ended 31 December 2020.

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 2020 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.

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.

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, all the members of each of the Audit Committee and the Nomination Committee are independent non-executive Directors, whereas the majority of members of the Remuneration 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 comprised three members, including three independent non-executive Directors, namely, Mr. CHAI Chaoming (Chairman), Dr. LOU Dong (appointed on 24 June 2020) and Ms. LU Hong, and one non-executive Director, namely, Mr. DAI Jianchun (ceased on 24 June 2020). The Audit Committee meets formally at least twice a year.

Two Audit Committee meetings were held during the year ended 31 December 2020. 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 (ceased on 24 June 2020)	1	1
Mr. CHAI Chaoming *(Chairman)*	2	2
Ms. LU Hong	2	2
Dr. LOU Dong (appointed on 24 June 2020)	1	1

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 comprised 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 2020. At the meetings, the Remuneration Committee reviewed the 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
Dr. 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, 2020 is set out below:

Remuneration bands *(RMB)*	Number of person(s)
0 to 1,000,000	1
1,000,001 to 2,000,000	1
2,000,000 to 3,000,000	1

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 comprised three independent non-executive Directors and one non-executive Director, namely, Mr. CHAI Chaoming (Chairman), Dr. LOU Dong, Ms. LU Hong and Mr. DAI Jianchun (ceased on 24 June 2020). The Nomination Committee meets formally at least once a year.

Two Nomination Committee meetings were held during the year ended 31 December 2020. 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)*	2	2
Dr. LOU Dong	2	2
Mr. DAI Jianchun (ceased on 24 June 2020)	1	1
Ms. LU Hong	2	2

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

– to 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;

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

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

– to 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 2020, 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 2020 amounted to approximately RMB2.33 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 2020. 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 said 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 a 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 make decisions regarding 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 2020.

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.xingyealloy.com) 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 of 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 2020 annual general meeting ("**AGM**") and an extraordinary general meeting ("**EGM**") held on 9 March 2020 is tabulated below:

	AGM	EGM
Executive Directors		
Mr. HU Changyuan *(Chairman)*	✓	✓
Mr. HU Minglie *(Chief Executive Officer)*	✓	✓
Mr. ZHU Wenjun	✓	✓
Non-executive Director		
Mr. DAI Jianchun (resigned on 24 June 2020)	✓	✓
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 Act, 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 of Association 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

ABOUT REPORT PREPARATION

Report Scope

Scope of organization: The report covers Xingye Alloy Materials Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") as set forth in the consolidated financial statements of the annual report. The full names and abbreviations of major companies as referred to in this report are as follows:

Full name	Abbreviation
Xingye Alloy Materials Group Limited	Xingye Alloy, or the Company
Ningbo Xingye Shengtai Group Ltd.	Shengtai Group
Shenzhen Zhangyue Network Technology Co., Ltd.	Zhangyue Technology

Scope of time: from 1 January 2020 to 31 December 2020. Part of the presentation and data are properly traced back to the previous years in order to ensure the clarity and comparability of the information.

Report Release

This report is published on an annual basis.

Reporting Basis

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") (published in 2015) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), and by referring to the revised Environmental, Social and Governance Reporting Guide published by the Hong Kong Stock Exchange in 2019, and the Global Reporting Initiative (GRI) Sustainable Development Report Standards (GRI Standards).

Reporting Principles

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

Principle of materiality

The threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported.

Principle of quantitative

Key performance indicators in respect of historical data need to be measurable. The issuers should set targets (which can be actual numerical figures or directional, forward-looking statements) to reduce a particular impact.

Principle of balance

This report provides an unbiased picture of the issuer's performance, and avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the report reader.

Principle of consistency

The issuers should use consistent methodologies to allow for meaningful comparisons of ESG data over time.

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 Xingye Alloy Materials Group 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 Xingye Alloy Materials Group Limited and its subsidiaries as set forth in the consolidated financial statements of the annual report, based on the data retrieval through the environmental databases of Institute of Public and Environmental Affairs (IPE) and Shanghai Qingyue (上海青悅環保).

Publish of the Report and Methods of Access

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 Xingye Alloy's official website (http://www.xingyealloy.com/). 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.

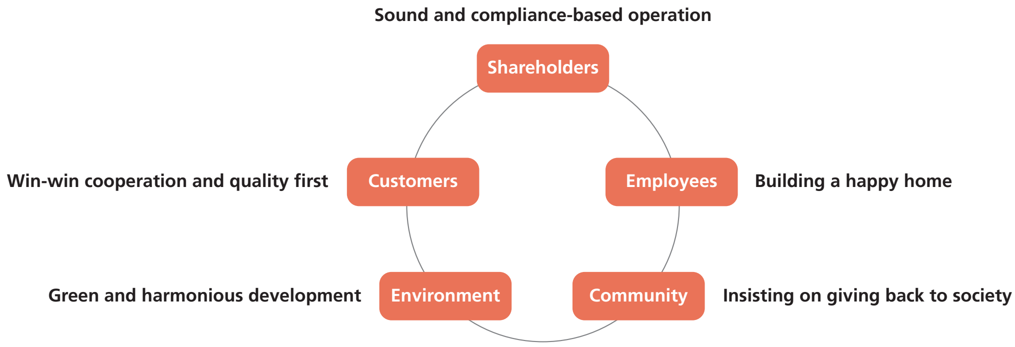
1. MANAGEMENT OF SOCIAL RESPONSIBILITY

The principal activities of the Group are the manufacture and sale of high precision copper plates and strips, trading of raw materials, and provision of processing services. After the acquisition of an online gaming business in August 2016, the Group's activities also include developing, publishing and operating online games and provision of related services.

1.1 Social Responsibility Management Model

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. On this basis, the Company established a social responsibility management model, actively undertook its responsibilities for the shareholders, environment, employees, customers and community, and put forward its ESG management strategies of "sound and compliance-based operation", "green and harmonious development", "building a happy home", "win-win cooperation and quality first" and "insisting on giving back to society" from those five aspects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



ESG Management Strategies

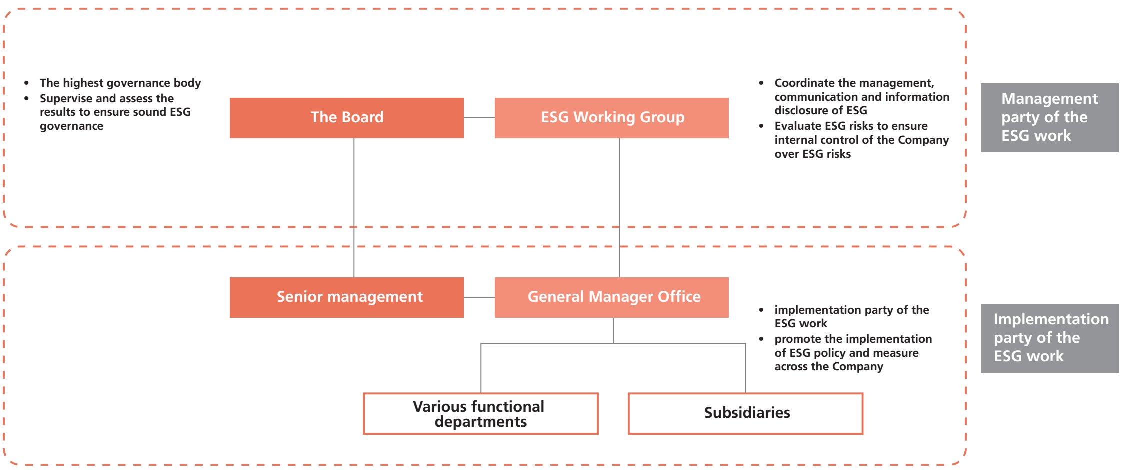
	Short and medium term (3-5 years)	Long term (5-10 years)
For shareholders: sound and compliance-based operation	Strengthen the management of compliance and anti-corruption, and provide compliance and anti-corruption trainings to cover all members of the Board, senior management and all employees to create compliance culture.	Continuously improve the mechanisms for communication with internal and external stakeholders
For environments: green and harmonious development	Keep improving the production process, renovate environmental facilities and reinforce recycling to promote resource saving, while reducing greenhouse gases and waste emissions incurred during the production and operations.	Eliminate the effect of our own operations on the environment, promote low-carbon environment in industrial chain and contribute to China's 2060 carbon neutrality goal
For employees: building a happy home	Respect and safeguard various legal interests of employees, and build up a harmonious employee relationship with a multi-level employee communication mechanism and staff care actions; Provide diverse training resources and career development channels for employees to empower employees' career development; Create a safe and healthy work environment for employees;	Adhere to the people-oriented principle, actively protect various legal interests of employees, create a brand image of "Happy Home", and provide employees with a sound career development platform.

	Short and medium term (3-5 years)	Long term (5-10 years)
For customers: win-win cooperation and quality first	Strengthen the construction of customer service system and quality service system which are oriented to the idea of "customer demand and quality first"; Build up a responsible supply chain, enhance the management of suppliers in terms of environmental protection, labour and ethics, and eliminate effects on the environment and community in supply chain.	Continuously promote technology R&D and innovation and product R&D, and provide reliable and quality products and services to customers with an aim to become a professional and trusted partner.
For community: insisting on giving back to society	Proactively carry out social welfare activities such as volunteer activities and caring donations, so as to further integrate with the community.	Conduct and expand community engagement and social welfare activities to improve corporate social influence.

1.2 ESG Governance Structure

An effective ESG management is inseparable from senior management's attention and all employees' participation. The Company has blended ideas of social responsibility in every part of corporate culture and daily operation to establish a top-down ESG governance structure, for which the Board is responsible on a whole. The Company has established the Environmental, Social and Governance (ESG) Working Group under the Board 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, and set up the General Manager Office under the senior management as the implementation party of ESG work, so as to promote the implementation of ESG policies and measures across the Company, and report regularly to the ESG Working Group the implementation of ESG tasks.

ESG Governance Structure



ESG responsibility of the Board and ESG Working Group:

The board, which is the highest decision-making body for ESG management, is responsible for supervising and assessing the results to ensure sound and good ESG governance. The ESG Working Group support the Board to perform its decision-making duties, which mainly include:

a) Assess and evaluate risks and opportunities relating to environment, society and corporate governance of the Company;

b) Ensure there are suitable and effective risk management and internal control system for environment, society and corporate governance in place;

c) Supervise, approve and develop policy, strategy, priorities and goals for managing environment, society and corporate governance;

d) Review the performance of the Company in relation to environment, society and corporate governance goals;

e) Review information disclosed in the environmental, social and corporate governance report.

ESG responsibility of the senior management and General Manager Office:

With the authorization of the Board, senior management assists in implementing the ESG work to ensure that suitable and effective ESG risk management and internal control system have been set up. The General Manager Office is mainly responsible for implementing and coordinating the ESG work, and its main duties include:

a) Establish, supervise and review the formulation of ESG management policies and strategies, and promote ESG related ideas within and outside the Company;

b) Promote various departments to implement various ESG policies, formulate and monitor the formulation and implementation of ESG goals, and report on the implementation of environmental, social and governance projects;

c) Guide and review the identification and sorting of major ESG issues;

d) Assist in preparing the annual ESG report and other ESG related disclosure information, and submit it to the Board for review and approval for disclosure;

e) Identify ESG risks relating to the Company on an annual basis, assess the impacts of such risks on the Company and provide accommodation to the Board in relation to the risks;

f) Other duties delegated by the Board.

1.3 Communication with Stakeholders and Materiality Issues

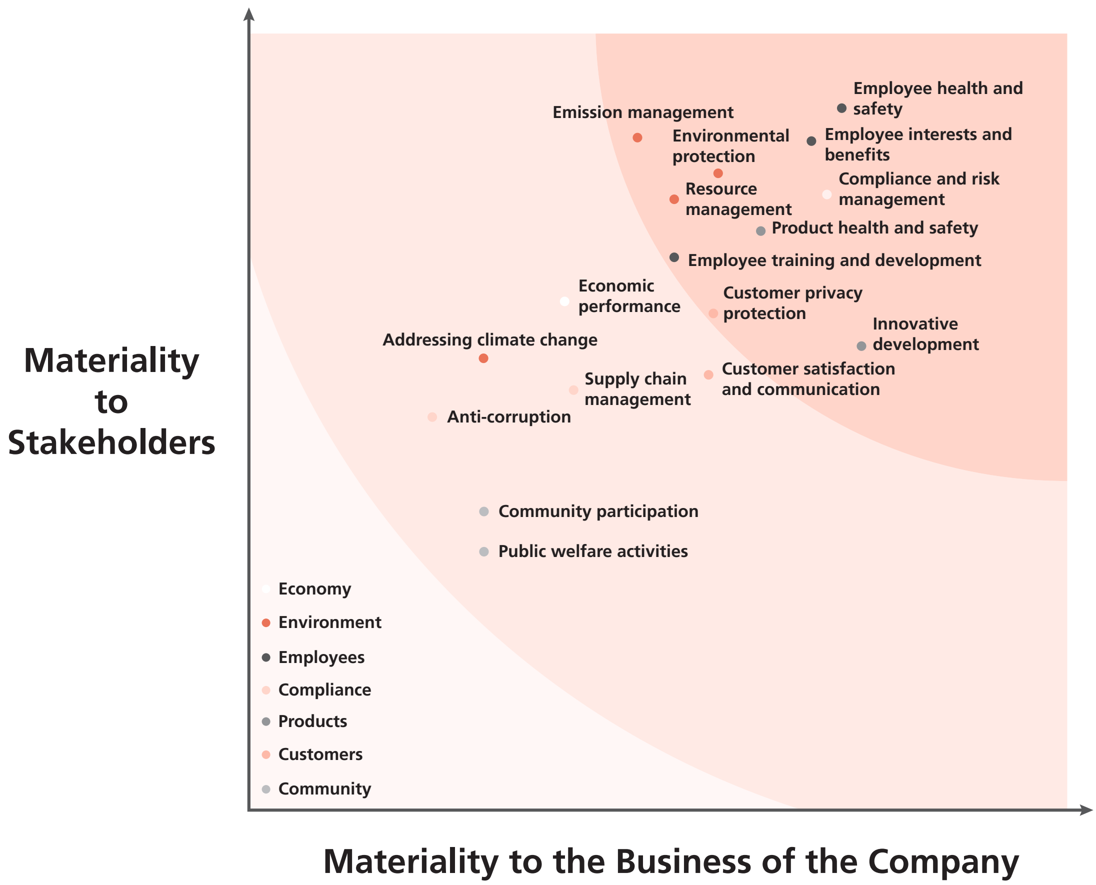
The Company paid special attention to advice from various stakeholders, including the shareholders and investors, employees, customers, suppliers, communities, industries, governments and regulators. The Company has established a normalized communication mechanism with stakeholders, included their concerned issues into the Company's operation and decision-making processes, and proactively responded to the demands and expectations of stakeholders, while enhancing the Company's sustainable development capabilities.

Major Stakeholders	Communication Channel	Concerned Issues
Shareholders and investors	• General meeting • Information disclosure	• Compliance and risk management • Economic performance
Governments and regulators	• Project cooperation • Communication on conference • Supervision and inspection	• Compliance and risk management • Anti-corruption • Emissions management • Uses of Resources • Environmental protection
Customers	• Customer satisfaction investigation • Customer interview • Industry exchange	• Product health and safety • Technology innovation • Satisfaction and communication • Customer information safety and privacy protection
Suppliers	• Supplier assessment and review • Supplier training	• Supply chain management • Anti-corruption
Employees	• Regular meeting • Staff activities • Complaint and feedback	• Labour standard • Employee interests and benefits • Employee training and development • Occupational health and safety
Industries	• Industrial associations • Industrial interaction	• Innovative R&D • Intellectual property
Communities	• Community activities • Regular communication • Media communication	• Community participation • Social welfare

Based on our business and operation characteristics, as well as the domestic and global benchmarks, the Company identified the core materiality issues via the process of issue identification and assessment. We prioritized the issues after taking full consideration of concerned issues of stakeholders.

To ensure the effectiveness of the ESG strategies of the Company, the Board reviewed the identification results of major ESG issues of the Company annually, so as to ensure our ESG strategies cover all major ESG issues. The following principles were followed in the process of determining the relevant importance:

- Incorporate the opinions of important stakeholders and identify ESG issues concerned by the important stakeholders;
- Incorporate the opinions of management and identify ESG issues that have an important impact on the Company's business;
- The Board reviews issues that are of high interest to the stakeholders and that have an important impact on the company's business, and lists them as important ESG issues.



Materiality Matrix

Response on materiality issues of social responsibility for copper processing business segments are set forth in chapter 2 to 6 of this report, and response on high materiality issues of social responsibility for online gaming business segment are set forth in chapter 8 of this report.

High Materiality Issues	Copper Business Segment	Gaming Business Segment	Our Response
Compliance and risk management	High	High	Copper business segment: strictly comply with national regulations and establish a sound management system to ensure compliance operations; set up a risk assessment mechanism and risk list, and conduct regular internal audits to prevent various risks; Gaming business segment: strictly comply with national regulations and establish a sound management system to ensure compliance operations.
Employee health and safety	High		Copper business segment: set up leading group for safe production, environmental protection and occupational health, develop occupational health and safety production management system, and enhance management of factors related to occupational health and safety, and conduct regular internal review, inspection and safety hazard investigation, as well as carry out trainings so as to enhance awareness of safety.
Employee interests and benefits	High	High	Copper business segment and gaming business segment: establish a human resources system, standardize process of recruitment, promotion, dismissal and other processes, implement employee welfare related policies, and set up smooth employee communication channels to ensure employees' legal rights and benefits.
Environmental protection	High		Copper business segment: establish an environmental protection management system, clarify the responsibilities of different departments and ranks of the Company for environmental protection, and identify, supervise and continuously improve the environmental protection work.

High Materiality Issues	Copper Business Segment	Gaming Business Segment	Our Response
Resource management	High		Copper business segment: develop a resource management system, set up management goals and keep upgrading through resource recycling, technological transformation, etc. from the start, so as to save resources.
Emission management	High		Copper business segment: strictly follow the national emission standards, establish management systems of pollutant emissions and conduct emission testing regulation, and deliver the waste to qualified units for processing, and adopt measures such as equipment upgrading and renovation, and waste recycling to realize emission reductions.
Product health and safety	High	High	Copper business segment: strictly follow national standards, establish a sound quality management system and policy, set up annual indicators of quality control, and continue to carry out lean production management and equipment upgrades; Gaming business segment: create a healthy and harmonious gaming environment by adopting effective measures in the games, such as shielding sensitive words, tips for rational consumption; take precautions systems against addicting juveniles.
Innovative R&D	High	High	Copper business segment and gaming business segment: establish system and policy targeting the R&D center, and fully promote innovative R&D from four dimensions, including organization management, project management, talent development, performance appraisal and innovation incentives.
Customer privacy protection		High	Gaming business segment: formulate user privacy protection policies and strengthen the management of acquisition and use of personal information and privacy.

2. FOR SHAREHOLDERS: COMMITTED TO COMPLIANCE AND PRUDENT OPERATIONS

By upholding the development concept of "**Shareholder Satisfaction**", the Company is committed to compliance and prudent operation, and improves its risk response capabilities by improving its own management system and policy, ensuring operating in a prudent way, continuously recording profits and giving return to shareholders. Faced with the sudden outbreak of the COVID-19 epidemic in 2020, the Company has maintained stable operations with its excellent emergency response capabilities.

[Feature Story 1] Responded Quickly to the Epidemic, and Made Every Effort to Ensure Safety and Stable Operation of the Company

At the beginning of 2020, the COVID-19 epidemic affected people's hearts. The Company responded quickly to the emergencies, actively resumed work and production under the premise of good employee protection, and ensured the Company's stable operation with its excellent emergency response capabilities.

Made effort to ensure safety resumption of work and production

The Company immediately initiated the epidemic prevention plan by establishing a prevention and control leading group, setting up a prevention and control office and an implementation team led by the chairman together with high-level and middle-level managers of the Company, and forming a WeChat group for epidemic prevention to achieve online communication and remote command. The Company has taken various measures to ensure employees resume work safety:

- Clarify the various tasks of the epidemic prevention team, such as the procurement of epidemic prevention materials, prevention and control of the duty fleet, inspection and supervision of personnel, disinfection and protection of the plant, focusing on getting employees back to work, and the overall planning of isolation and placement;

- Employees from low-risk areas are encouraged to choose airplanes instead of trains, private cars and car-pooling to rework, and provide reimbursement for air tickets and return tolls;

- Reworked employees were quarantined in designated dormitories for 7 days. Their temperature are measured every day, and meals were delivered by volunteers;

- For employees who cannot return to the village or community where their leased houses are located, the Company tackled their accommodation problems or applied for a pass;

- Actively cooperate and implement the local epidemic prevention policy where the operations are.

Fully guaranteed employees' safety

The Company formulated the "Epidemic Prevention Plan" to refine the management of public areas after the resumption of work and production, and provided employees with a safe workplace, while enhancing employees' awareness of health and epidemic prevention through the promotion of epidemic prevention knowledge.

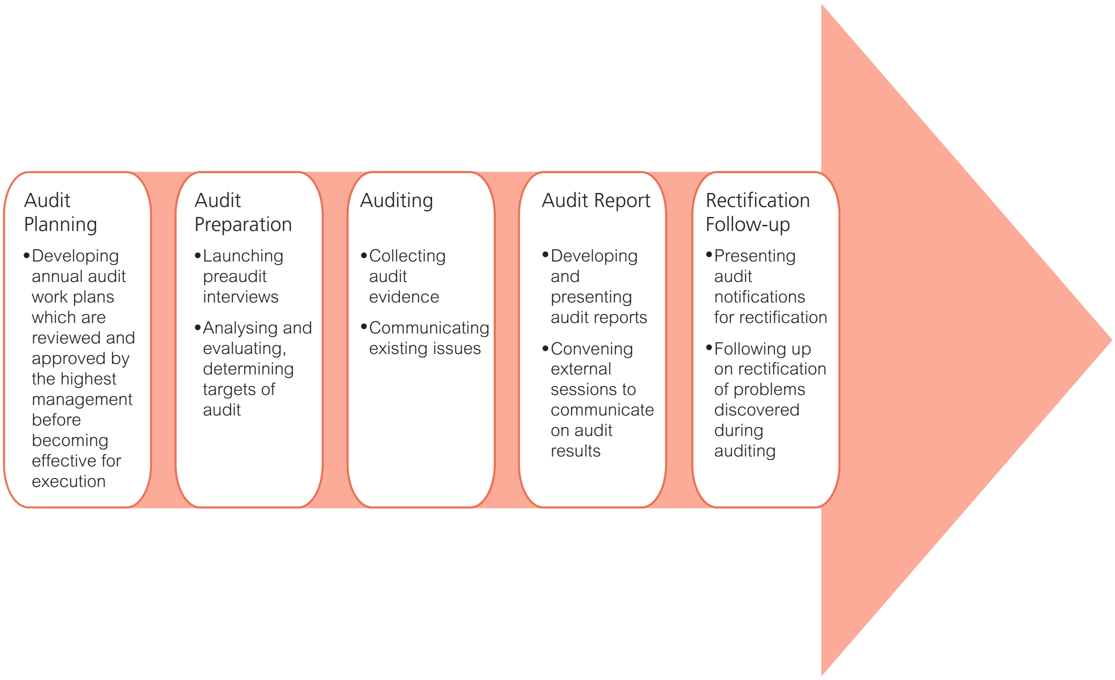
- Quickly formulate an epidemic prevention plan, and refine visitor control, staff canteen management, staff dormitory management and public area disinfection so as to ensure safety of the workplace;
- Organize party member volunteers to measure temperature, distribute masks, and register at the gate every day to ensure the safety of personnel in and out;
- Strengthen the promotion of epidemic prevention knowledge and guide employees to do a good job in epidemic prevention.

2.1 Risk Identification and Internal Control

The Company keeps improving its risk management system, and actively launches related work to accurately identify and strictly control various potential risks that may have an impact on strategic development, and to enhance its overall capability of managing risks. In 2020, the Company established a "Major Risk List", and identified 39 major risk points from three major aspects: market and project development process, product production process, and business planning process, and authorized the administrative department to take respective measures.

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 by pre-audit and in-process audit from the perspectives of audit management, internal control supervision, risk early warning and process review.

Internal Audit Procedures of the Company



In 2020, the Company established an additional internal control office as a risk supervision and management department for conducting internal audit work and result analysis based on the Company's risk points, providing targeted recommendations and supervising the implementation of rectification measures. In addition, the Company performed five special audits including expense special audit and sales rebate audit, and discussed with relevant departments on the problems and suggestions found during the audit process to prevent and control key risk points.

2.2 Compliance Management

Compliance Operation

The Company takes compliance operations as the basis for fulfilling its social responsibilities. During the reporting period, the Company did not violate any laws and regulations related to product quality, customer service, intellectual property protection, environmental protection, and employee employment. The main levels and laws and regulations involved in the Company are listed in the table below.

Area	**Main laws and regulations applicable to the Company**	**Compliance**
Product quality	*The Product Quality Law of the People's Republic of China,* etc.	Yes
Customer service	*Law of the People's Republic of China on the Protection of Consumer Rights and Interests,* etc.	Yes
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.	Yes
Environmental Protection	*The Law of the People's Republic of China on Environmental Protection, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Cleaner Production Promotion Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China,* etc.	Yes
Employment and Labour	*The Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Social Insurance Law, the Labour Dispute Mediation and the Arbitration Law, the Trade Union Law, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, Protection Measures of Female Staff and Workers of Zhejiang Province,* etc.	Yes
Occupational health and safety	*The Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Zhejiang Provincial Regulations on the Prevention and Control of Occupational Diseases,* etc.	Yes
Commercial morality	*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 the Prohibition of Commercial Bribery, China Internal Auditing Standards, Basic Rules for Internal Control of Enterprises,* etc.	Yes

Anti-corruption

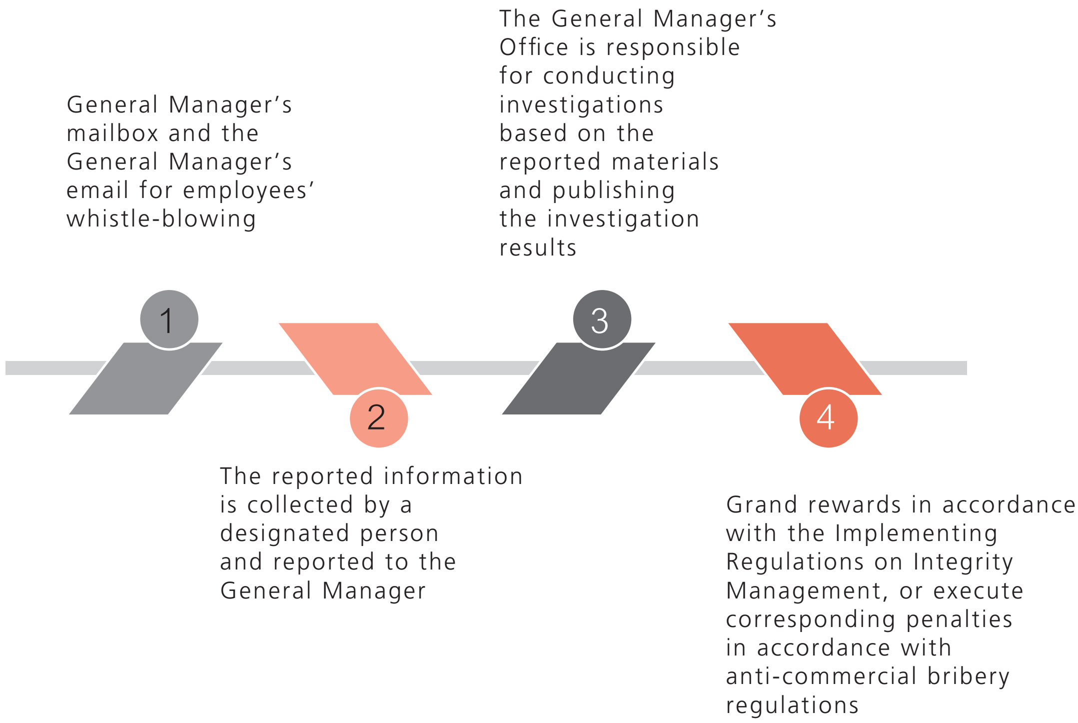
Anti-corruption is the focus of the Company's compliance management. Adhering to the principle of "zero tolerance" for corruption, the Company has formulated *Integrity Management Program, Anti-Corruption System, Gift Management System, Sunshine Procurement System* and other management protocols to enforce pre-event prevention and post-event supervision on anti-corruption management with strict standards, and regularly conduct anti-corruption training for all employees to cultivate employees' anti-corruption awareness.

In 2020, the Company added the *Provisions for the Implementation of Integrity Management (Trial)* to further clarify the punishment scope, reporting channels and confidentiality measures in instances of any corruption in the Company; in addition, the Company revised the *Employee Basic Code of Conduct* by updating the punishment provisions on bribery, so as to promote integrity cultural construction of the Company.

Anti-corruption in the procurement process is the main task of the Company's anti-corruption work. The Company has sighed the Undertaking of Integrity and Self-Discipline for Employees with all employees of the procurement department of the Company, and the Sunshine Agreement with suppliers to convey the anti-corruption and anti-bribery principles to employees and suppliers.

The Company encourages employees to report violations of anti-corruption norms by setting up unimpeded whistle-blowing channels. It strictly implements the whistleblower protection system, keeps the information related to the whistleblowers, letters, materials, clues, evidence and other information confidential, and strictly prohibits retaliation against whistleblowers so as to ensure the privacy of the whistle-blower. During the reporting period, there was no act in violation of any laws or regulations, or any corruption lawsuits against the Company or its employees.

Whistle-blowing and Handling Process for Anti-corruption



[Case] Provide Anti-Corruption Trainings for All Departments

In July 2020, in response to the newly released *Implementing Regulations on Integrity Management*, the Company conducted anti-corruption training for all employees of the Company, covering all business departments. During the training process, the Company introduced reporting channels, handling methods and rewards and punishments set out in the administrative measures for integrity, conveyed anti-corruption principles to employees, and carried out relevant assessments relating to anti-corruption training for employees in key departments.

3. FOR CUSTOMERS: PROVIDING PRODUCTS AND SERVICES OF HIGH STANDARDS

As a leading domestic manufacturer of high-precision copper plates and strips, the Company is committed to provide high quality products and services, and upholds "everything is for improving quality and service" as one of its corporate values. The Company continuously improves quality control and service standards, carries out technological innovation, and continues to create value for customers.

3.1 Product Quality

Quality control

The Company carries out the production of copper alloy strips in strict compliance with the requirements under national standards, and ensures the effective implementation of quality control measures in all aspects of production under the latest production requirements through improving sound quality management system, developing quality management policy and setting and implementing annual indicators of quality control, etc.

Strictly followed national standard

- Carried out production of copper alloy strips in strict compliance with the *Copper and Copper Alloy Strip (GB/T 2059-2017), the Copper and Copper Alloy Sheet" (GB/T2040-2047), Recycling materials for brass (GB/T 38470-2019), Recycling materials for copper (GB/T 38471-2019)*

Established quality management system

- Passed the ISO9001:2015 quality management system and IATF16949 quality management system for automotive products.
- Formulated its quality management procedures in accordance with the certification system requirements.

Formulated quality management system

- Developed management system documents such as the *Product Monitoring and Measurement Control Procedures* and the *Unqualified Product Control Procedures*

Setting annual control quality indicators

- The Technical Quality Center set multiple key performance indicators such as the return rate, the yield rate of genuine products and the acceptance rate of spare parts, and tracks the completion of the indicators and keeps improving accordingly.

Quality Management Process

Raw Material Purchasing → Batching Material Purchasing → Production Processing Flow → Finished Product Inspection → Ex-warehousing and Shipment of Finished Products → After-sale Services

Quality Improvement Measures in 2020

1 Dedicated production management	2 Equipment renovation and upgrading
Enhance quality management capabilities and improve product quality through standardization of work processes, systematization of production management, and continuity of quality management. • In 2020, the Company added new process inspection standards and strengthened the quality control of each process, and updated quality management documents such as *"Process Sampling Procedures"*, *"Process Work-in-Process Standards"*, *"Unqualified Product Control Procedures"*.	Improve equipment performance, reduce process waste rate and improve product quality through procuring new equipment and upgrading old equipment that affect product quality. • In 2020, the Company conducted several equipment and technology transformation and upgrade work, such as milling line transformation, transformation of filter system for rolling mill emulsion, and the newly-added surface detector for tension leveling line.
The number of updated controlled documents in 2020 **491 documents**	**The equipment upgrading work in terms of product quality in 2020** **15 projects**
Quality drove performance upwards in 2020: in the second half of 2020, overall product return rate of the Company was reduced by 15%.	

Supply Chain Quality Management

By adhering to "impartial, transparent and good-faith" sunshine purchase standards, the Company has established and continuously improved the bidding and procurement management system, formulated the *Procurement Control Procedures*, and standardized the quality management of suppliers. In the selection of suppliers, the Company prefers to suppliers who have passed ISO 9001 quality certification and requires suppliers to provide environmental audit reports. For suppliers that do not meet the quality requirements, the Company issues a quality management system improvement plan ("**QMS plan**") to them, and improves the supplier's capabilities through training and other methods.

For suppliers of raw materials, the Company conducts risk assessments on them at least once a year. 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 product quality.

In 2020, the Company promoted localized procurement related work. In terms of ingredient procurement, it actively developed Batching material suppliers in Ningbo where the Company operates and in Jiangsu, Zhejiang and Shanghai, so as to reduce the impact of the transportation process on the environment and promote regional prosperity, while reducing transportation costs.

Supplier Management and Appraisal 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, covering product quality management, environmental hazards management of new suppliers;
- Prior to entering into cooperation with the Company, a new supplier is subject to a standardized procedureof product sample testing, sample procurement, batch procurement and regular procurement.

In-cooperation suppliers

- **Carry out continuous monitoring**
  - The Company maintains the *Qualified Supplier List*. It confirms and updates the information on the qualified suppliers each year;
  - The Company conducts monthly performance assessment and rating on the qualified suppliers every month based on *Monthly Performance Appraisal of Sppliers*;
  - The Company formulates the *Annual Supplier Review Plan*. For all qualified suppliers of raw materials and key suppliers of material procurement, it re-evaluates them through the *Supplier Review Checklist* every year.
- **Give rectification advice and track rectification**
  - 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,or it will be disqualified.

Completed on-site audits on 30 suppliers;

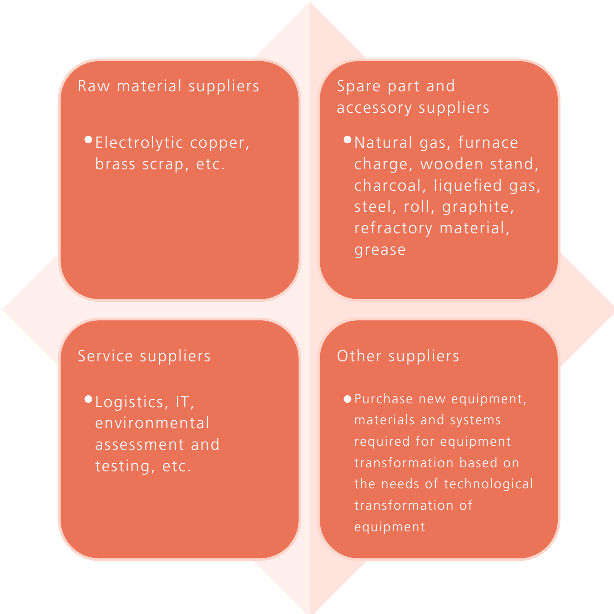
Implemented QMS development plans with 15 suppliers;

The proportion of batching material and new materials purchased in Ningbo area reached 83%;

The proportion of suppliers located in Jiangsu, Zhejiang and Shanghai among the new suppliers of batching materials reached 80%.

Green Procurement

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. 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.



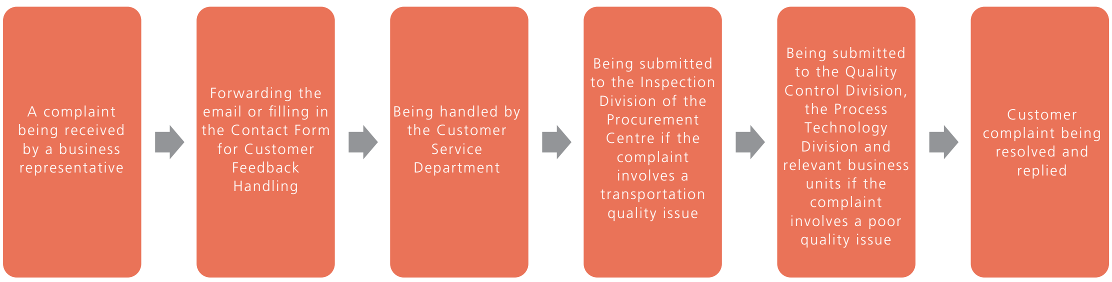
The Company integrates the concepts of safety, green and environmental protection into the daily management of the supply chain, and evaluates and audits new suppliers and suppliers that have already started cooperation. For small and medium-sized suppliers that do not meet the requirements of environmental protection evaluation, it assists them in the development of environmental protection system certification and testing of non-use of hazardous substances, so as to promote the improvement of suppliers' environmental protection capabilities.

3.2 Customer Rights Protection

Customer Service

The Company is committed to providing customers with high-quality products and customer service to become a trustworthy partner. The Company has formulated *the Customer Service Control Procedures, the Procedures for Handling Customer Complaints, Returns and Claims, the Processing Flow for Finished Products* that have Quality Defect 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 before, during and after sales. The Company regularly provides training for marketing system personnel to continuously improve their professional capabilities and customer service capabilities. In 2020, the Company updated the time limit for return processing, shortened the processing time limit for unqualified products, and further improved the efficiency of customer service.

Customer Complaint Handling Procedures



Main tasks of customer communication in 2020

1

Customer visits and product promotion activities

Customer visits and product promotion activities allowed customers in more fields to understand the Company's related products, and also helped the Company to understand and grasp customer needs.

- Actively participated in product promotion such as new automotive materials and 5G connectivity, and visited end customers for technical and business exchanges, driving the overall sales of XKY series products to increase by about 33% compared with 2019;

- Attended the Shanghai Industry Fair Automotive New Materials Summit in September to display automotive copper alloy related products of the Company.

2

Industry conference activities

Through participating in professional technical exchange conferences, professional seminars and other activities, the Company showed its professional technical strength while understanding the industry development trend, so as to build the Xingye brand and promote business development.

- Attended the Development Forum of China's New Infrastructure and Innovative Application of Copper-based Materials (Fuzhou), and published the *Application of New Copper Alloys in High-end Connectors and Thermal Management*;

- Attended the Forum of Electrical Connectors Branch of China Electronic Components *Association,* and published the *Development of High-Performance Copper Alloys*;

- Attended the China Internet and Technology Conference, exchanged the development trend of high-speed connectors and related testing standards, etc.

3

Customer Satisfaction Survey

Satisfaction survey for all customers is conducted at least once a year, and for key customers, it is conducted once every six months, with survey contents including, amongst others, quality, service and delivery time. The *Satisfaction Survey Form* distributed covers all product types of the Company.

- The Company conducts satisfaction survey for all customers, and carries out targeted enhancement and improvement work based on customer satisfaction surveys and result analysis.

- the settlement rate of customer complaints of the Company was 100%;
- the rate of satisfaction of integrated customers of the Company was 94.3%;
- the rate of satisfaction of automotive customers of the Company was 95.1%.

[Case] Created an Image of Customer Service with Affinity

In order to create an image of customer service with affinity, the Company decided to design its cartoon characters as male and female staff wearing a helmet based on the industry attributes of the manufacturing industry, where the Company operates, the corporate culture that regards employees as valuable assets and the products characteristics.

This image is used in internal announcements, information pushes and sample room at the workshop of the Company, as well as in external recruitment posters and external exhibition posters.

Customer Privacy Protection

The Company attaches great importance to customer privacy and information security, and formulated the *Property Control Procedures for Customers or External Suppliers* and the *Administrative Procedures for Honesty and Integrity* and other systems to standardize our protection on customer information. The Company signs confidentiality agreements and documents with customers where required, keeps customers' information strictly confidential, fully respects customer privacy and protects the legitimate privacy rights and interests of customers.

In 2020, the Company newly formulated the *Employee Confidentiality Management System* to clarify the punishment methods for employees to use the Company's resources, business channels, trade secrets, intellectual property rights, etc. to seek benefits, and to prevent leakage of customer information to the greatest extent. During the reporting period, the Company had no customer information or privacy compromises.

3.3 Technology Innovation

Technology Innovation

The Company believes that an enterprise must persist in innovative research and development for a long time if it wants to achieve long-term development. Accordingly, the Company puts forward the scientific and technological innovation policy of "R&D projects come from the market, and R&D results must be introduced to the market", and build a new system of scientific and technological innovation operation that is "take market as orientation and industrialization as the goal". In 2020, the Company accelerated construction of the R&D center platform system, and formulated and improved its three-year R&D plan, five-year R&D plan and long-term development plan.

Construction of the R&D Center Platform System

Organizational management system of the R&D Center Platform	Build the organizational management system of the R&D Center Platform, operational management system of the R&D project, performance appraisal and innovation incentive system, intellectual property protection and talent echelon construction system, etc.
Operational management system of the R&D project	Focusing on the Company's planning, the Company actively carried out the R&D of small workshops and medium workshops construction, including product research and development program design, technical exchanges, equipment selection and project implementation.
Talent construction	Established one nation-level post-doctoral research station; Actively carried out long-term industry-university-research cooperation projects, such as cooperating with the School of Materials Science and Engineering of Jiangxi University of Science and Technology to carry out training program of directed students; and established education practice base for postgraduate with Jiangxi University of Science and Technology.
Performance appraisal and innovation incentive system	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.

Work performance in technological innovation in 2020

Successfully applied for the "Technology Innovation 2025" major special project in Ningbo:
The Development and Industrialization of Copper Alloy Strips for High-Precision Etching Lead Frames (《高精密蝕刻引綫框架用铜合金板帶研發與產業化》)

Drafted and issued 4 effective national standards as the first unit:
Test method of the bending stress relaxation for copper and copper alloy (GB/T 39152-2020);
Copper alloy sheet for oilless bearing (GB/T 37570-2019);
Copper and copper alloy strip for relay (GB/T 37571-2019);
Copper and copper alloy strip and foil for terminals and connectors (GB/T 34497-2017).

Protection of Intellectual Property Rights

The Company has established and continued to improve the 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 2020, the Company newly added the *Employee Confidentiality Management Regulations*, which clearly stipulates the protection of intellectual property rights.

Important performance in intellectual property in 2020

Successfully applied for 1 Intellectual Property Project of Ningbo: Patent Navigation Project concerning on High strength and high conductivity copper alloy (《高强高高導彈性铜合金專利導航項目》)

Applied for 3 national patents:
A method for non-vacuum production of large-size copper-titanium alloy ingot (《一種非真空生產大規格铜鈦合金鑄锭的方法》);
A method for semi continuous casting of large-size slab copper-magnesium alloy (《一種大規格扁锭铜鎂合金半連續鑄造方法》);
A preparing method for copper-magnesium alloy strip for automobile relay (《一種用於汽車繼電器的铜鎂合金帶材的制備方法》).

4. FOR EMPLOYEES: BUILDING A HAPPY FAMILY FOR ALL PEOPLE IN XINGYE

The Company regards employees as the most valuable asset, and spares no efforts to build a happy home for all Xingye people. The Company pays attention to employee rights protection and employee caring by establishing a smooth communication channel for employees and providing employees with a smooth path for career development. In 2020, the Company has taken further measures to empower employees' development and enhance their cohesion.

[Feature Story 2] Empowered Employees' Development and Enhance Their Cohesion

In 2020, the Company launched special work to promote employee stability for new employees and veteran employees in key positions. For new employees, the Company has adopted the following five major measures to effectively mobilize the initiative of employee supervisors and improve company cohesion:

Person and post matching	Strictly controlled recruitment screening, and gave more consideration to the match between applicants and positions when assigning personnel;
Tutor system	Newly established the "Tutor system" to ensure that every new employee has a dedicated master, who will formulate a mentoring plan and supervise its implementation;
Flexible salary package	Adjusted the probationary salaries with reference to salaries of the surrounding market, and adopted a relatively flexible probationary plan for technical positions of individual workshop to ensure the introduction and stability of talents;
Strengthen communication	Proactively communicated with new employees, and identified the problems and needs of new employees, and solved them and gave feedback in time; worked with the departments to track and supervise the management of the probation period, and quickly dealt with issues identified;
Humanistic care	Supervise leaders at all levels to give adequate care to new professionals; clearly define work positions and duties, ensure smooth communication and help new employees integrate into the team as soon as possible.

For the veteran employees in key positions, the Company newly promulgated the Management Measures on Skills and Job Allowance (Trial Draft)", which stipulates that allowances can be enjoyed through floating method of monthly assessment rankings, so as to improve the autonomic management level of machine. At present, there are more than 60 machine units (including production lines) included in the pilot program, covering about 430 front-line employees.

[Case] Tutor System

In 2020, the Company released the Tutor system for Production Operators, pursuant to which the mentors help production operators to improve their skills and integrate into the group with patience, with a goal to strengthening communications between new and veteran employees, and granting subsidies to mentors to encourage them to conduct mentoring.

From the daily tracking results, the "Tutor" activity received unanimous support and praise from mentors and apprentices. Employees reflected that they learn quickly and get into work fast, which allowed a significant number of new employees to become fulltime workers early; a majority of the mentors also supported the Company to carry out tutor activities and were willing to serve as tutors.

- A total of 240 pairs of tutors and apprentices were assembled;
- The questionnaire survey reflected that the overall satisfaction of new employees with the mentoring program was 97%;
- 71% of new employees became fulltime workers early, an increase of 12% compared to 2019;
- The staff turnover rate during the probation period decreased by 8.95% compared with the same period last year.

4.1 Rights and Benefits of Employees

Engagement and Basic Rights and Interests of Employees

The Company strictly abides by laws and regulations such as the *Labour Law of the People's Republic of China* and *the Law of the People's Republic of China on Employment Contracts*. It adheres to fair employment, implements the principle of equal employment and equal pay for equal work for employees, ensures that employees would not be discriminated or treated unequal because of different ages, genders, regions, religions, marital status or disability, etc., and prohibits employment of child or forced labour. To prohibit the employment of child labour or forced labour in the Company's operations, the Company takes steps to prevent such practices included stringent checking and control procedures in selection and on-boarding processes, and training for key contractors who provide manpower or services to operations. To the best knowledge of the Board of Directors, the Company was not aware of any breach of laws and regulations in relation to child and forced labour for the year ended 31 December 2020.

The Company has formulated management systems, such as 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 respect and safeguard legitimate rights and interests of employees. In 2020, the Company further improved the human resources management standards by revising the Management System on Rehiring after Retirement, the Recruitment Management, the Resignation Management and the Mentoring Management" and other systems. The Company signs labour contracts with employees in accordance with the law. Its labour contract signing rate and social insurance payment rate in 2020 were both 100%.

An overview of Systems on Engagement and Basic Rights and Interests of Employees

Employment and Termination System

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

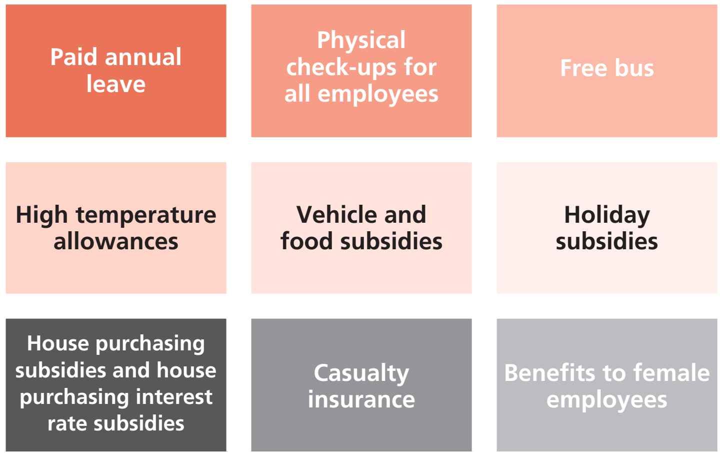
Remuneration System

- 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.

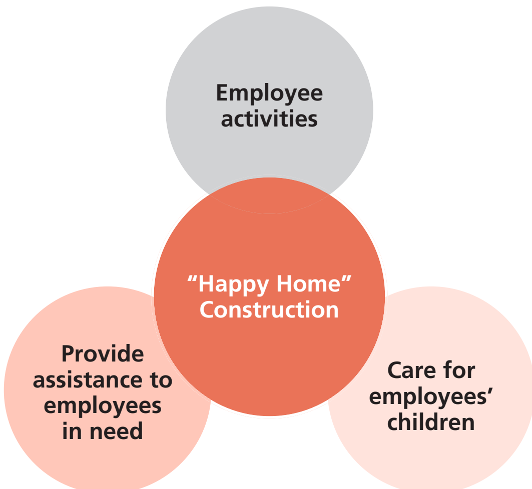
Working Hours and Rest Periods and Vacations System

- 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.

The Company implemented employee benefit policies. On the basis of ensuring employees' legal rights to obtain labor remuneration according to law, enjoy statutory social insurance and have rest time, for all employees, the Company provided various benefits, including holiday subsidies, living subsidies, accident insurance and rent allowances, and for employees in some areas, provided house purchasing subsidies and house purchasing interest rate subsidies.



Happy Home Construction



Staff activities
Enrich employees' lives through various cultural and sports activities.

Care for employees' children
Carry out activities such as Xingye summer camps to care for employees' children.

Provide assistance to employees in need
Establish an employee assistance mechanism and set up mutual aid funds to provide assistance to employees in need.

The Company focused on creating an efficient, relaxed and warm team atmosphere for its employees. In addition to enriching the lives of employees, staff activities also enhanced their sense of belonging and cohesion, as well as help employees quickly adapt to the new environment and develop their ideas. In 2020, the Company organized a variety of cultural and sports activities throughout the year, such as New Year's greeting part, table tennis competition, Mid-Autumn Festival gala, theme mountaineering activities, Fun Games, etc.

For our caring for employees' children, 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 Xingye summer camps to them every year.

The Company has established a long-term employee assistance mechanism, set up a "Mutual Aid Fund" to implement caring activities for employees in need, and implemented a caring plan for Xingye family members who have retired decently for 30 years. In 2020, the Company provided assistance to a total of 71 employees and their families in need.

[Case] the 7th Xingye Summer camp

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

Under the severe epidemic prevention situation in 2020, the Company still insisted on holding summer camps after making sufficient preparations to solve the problem of child care for employees during summer vacation. The Company took a variety of measures to fully guarantee the safety of students during the summer camps: cancelled the registration of children from other places to reduce risks; during the course, the children are taken twice a day to measure their body temperature and monitor the whole process, providing them with a pleasant holiday.

Smooth Employee Communication Mechanism

The Company is committed to building and improving employee communication and feedback mechanisms, strengthening democratic communication, and conducting equal dialogue with employees.

The Company has established the labour union, the workers' congress and the internal mediation committee. It 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. 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. Accordingly, the Company selects female representatives in labour union based on the ratio of female employees.

In addition, employees can also communicate with the Company's management through channels such as the letter box of general manager, employee reception day, employee communication meetings and Employee Satisfaction Survey. For college-student employees, in 2020, the Company launched an "Undergraduates Symposium" for college students, and invited 36 college students who joined us from 2017 to 2019 to attend the symposium and actively speak.

Staff Communication Mechanism Construction

- Hold at least 4 employee communication meetings each year to understand their thinking, help to solve their difficulties in life and work and help new employees to quickly adapt to the Company's environment;
- Conduct employee satisfaction surveys twice a year to understand their evaluations and suggestions on the Company in all aspects, give feedback and make an improvement;
- Set up "good idea project" to adopt reasonable opinions from employees, and give feedback on the Company's improvement measures and implementation effects;
- In 2020, a "colleague bar" column was founded.

[Case] Introduced "Colleagues Bar" column to explore more communication channels for employees

The Company continues to actively explore more communication channels for employees. In 2020, the Company set up "Colleague Bar" column, which has become a popular communication method among employees. Employees are free to post their thoughts, difficulties, and problems on "Colleague Bar". The Company's cultural publicity department will pay attention to new posts every day, and follow up and respond to the problems reported by employees in time. At the same time, the Company can also deliver information about the Company to employees through columns, which allows columns to become a new and convenient channel for employees to communicate.

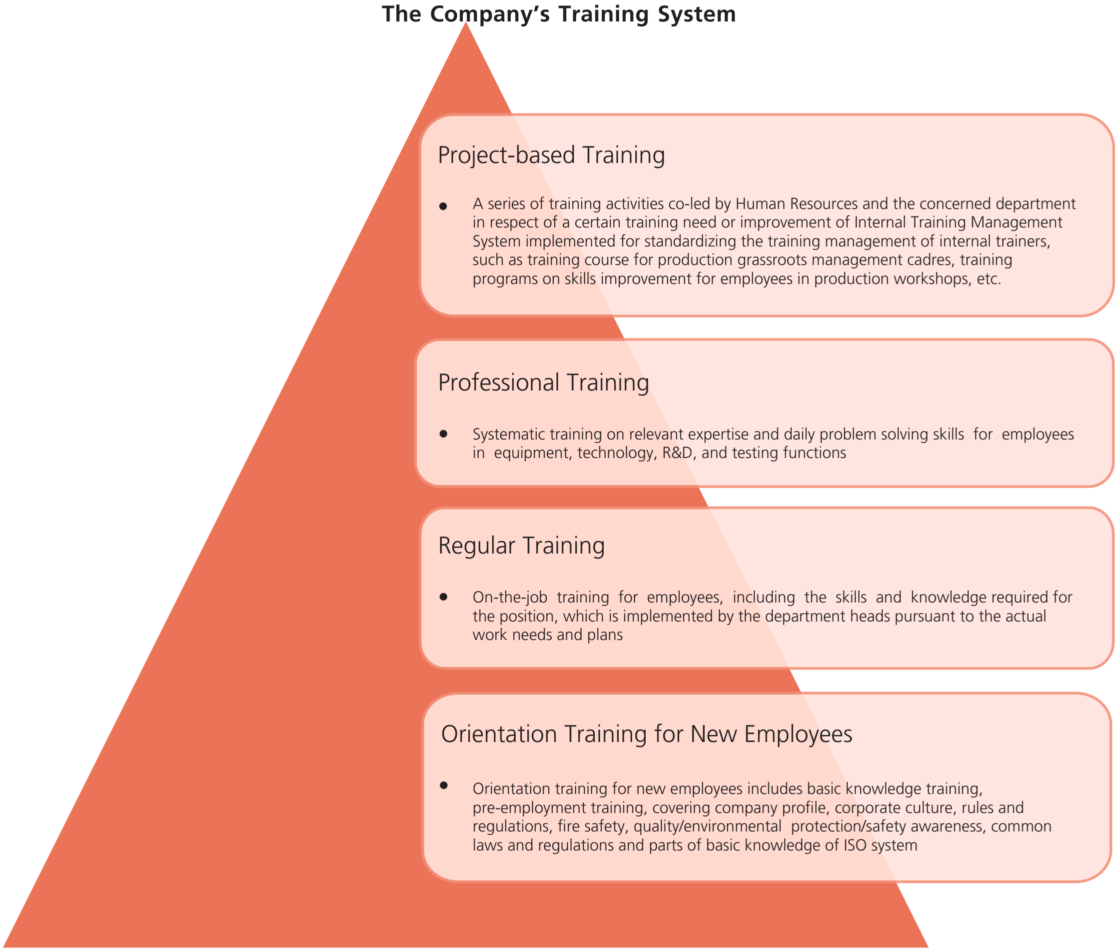
4.2 Training and Development of Employees

Employee Training

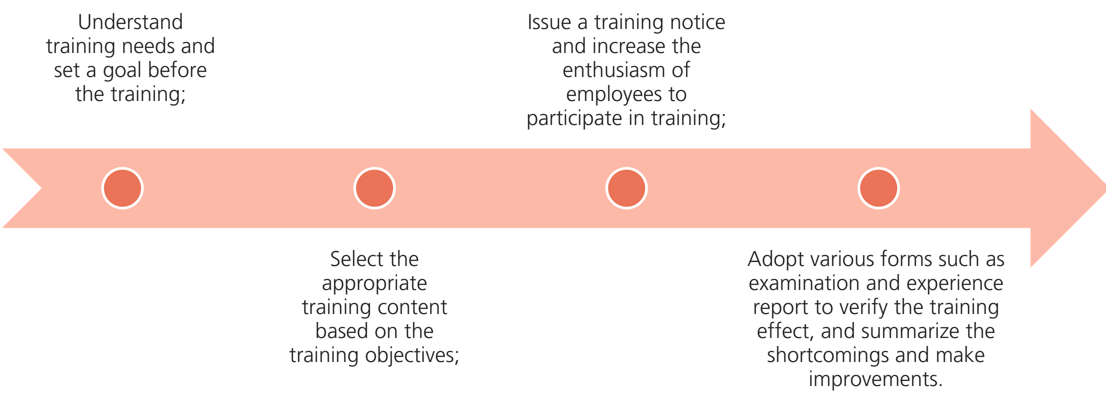
The Company recognizes "do all things conducive to the improvement of the capabilities of employees and the organization" as one of its core values, and regards the growth of employees as the development of the Company, and provides employees with diversified training to create a meaningful career. It has established a comprehensive training system covering job knowledge and skills, professional knowledge and skills and special skills to meet the all-round and multi-level training needs of employees in different positions.

The Company has established an internal training system, and formulated the Internal Training Management System to standardize the training mechanism of internal trainers, and continued to promote the improvement of the overall teaching level and ability of internal trainers. In 2020, the Company set up a "mentoring" mechanism for production operators to accelerate the pace of talent development and pass on knowledge and skills from generation to generation.

The Company's Training System



To address the problems in the previous training work, the Company has adopted different measures in various aspects of training in 2020 to improve the quality of training.



[Case] FMEA special training to improve employee's ability to solve problems

In order to improve the ability of employees to analyze and solve problems, the Group engaged external experts to carry out a two-day special training "FMEA Failure Modes and Effect Analysis" in May 2020, covering 43 employees in the R&D center, technical quality center, production center, etc. Through case analysis, group discussions and exercises, employees understood the basic concepts and usage methods of FMEA and improved work efficiency.

- Conducted 47 training courses;
- 5,837 people participated in the training;
- Total training time [1] reached 89,074 hours.

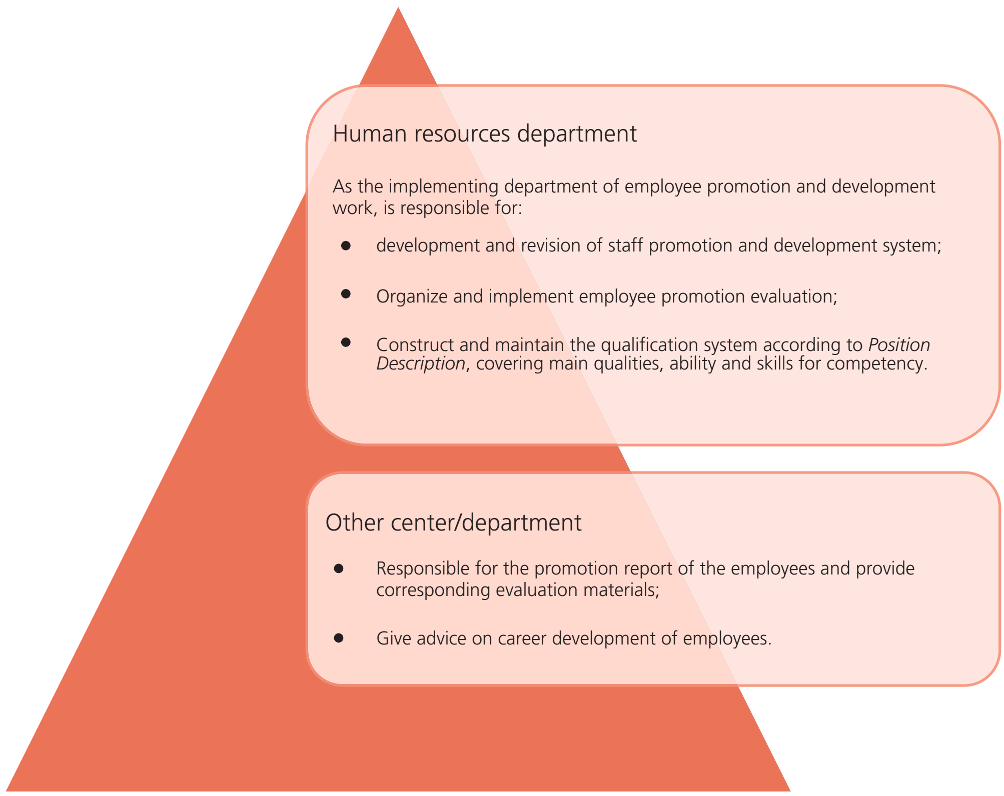
[1] *The figure excludes time spent on employee safety education.*

Employee Development

The Company has clear and transparent promotion channels, and provides personal career development plans for the development of employees. The Company has established a Promotion and Development Evaluation Committee to be responsible for the overall planning and leadership of the promotion and development of employees.

The Company has formulated an employee evaluation and promotion management system and the management system of the Employee Performance Appraisal Plan and the Employee Promotion Development Management System. It opened up dual channels for administrative and professional promotion, and set up regular promotion and irregular promotion for employees with outstanding contributions and outstanding performance. The effective assessment and integrated promotion mechanism are designed to encourage employees to strengthen self-improvement, so as to promote career development.

Structure and Duty of Promotion and Development Evaluation Committee



The Company proactively develops school-enterprise cooperation and attracts high-quality talents. Since 2019, the Company has cooperated with the School of Materials Science and Engineering of Jiangxi University of Science and Technology to carry out a targeted training program for undergraduate and postgraduate orientation students. Meanwhile, the continuing education on in-service employees of the Company and Jiangxi University of Science and Technology jointly established a graduate education practice base to encourage employees to achieve self-growth while working.

4.3 Occupational Health and Safe Production

Occupational Health and Safety Management System

The Company has established a leading group for safe production, environment protection and occupational health to guide and urge the centers to implement occupational health and safety related work. With the Company's management 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 included occupational health and safety into its system construction and management system and policy, promoted the participation of all employees in the investigation of potential hazards and occupational hazard protection, and continued to enhance the safety awareness of all employees.

In 2020, in order to improve implement regulations, systems and standards in relation to safety production, environmental protection and occupational health, the Company has added dedicated safety and environmental administrators in four production divisions. Their main responsibilities include identifying internal hazards and environmental factors, safety of production site, environmental protection and occupational health inspection, etc.

Occupational Health and Safety Management System

System Construction

- A leading group for safe production, environment protection and occupational health;
- Conduce annual assessment towards production safety, environmental protection, and occupational health work.

Management Factor

- Equipment and facilities safety;
- Fire control;
- Chemical management;
- Occupational health monitoring and protection.

Internal Audit, Inspection and Hidden Danger Investigation

- Security technology transformation;
- Investigation of potential safety hazards.

Safety Culture Construction

- Safety awareness and safety training;
- Continuous improvement.

Safety Production

The Company adopts the principle of "Safety-foremost with prevention-oriented and comprehensive treatment" and focuses on eliminating hidden dangers to carry out safety management. 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, and formulation and implementation of major risk control measures.

The hazardous chemicals mainly involved in the Company's production and operation process include: natural gas, caustic soda, sulfuric acid, hydrochloric acid, nitric acid, liquid ammonia, etc. The Company has established the *Hazardous Chemicals Management System* to strictly control the transportation, storage, and use of hazardous chemicals. It regularly conducts training for the identification of major hazard source and safe operation, and establishes emergency measures for chemical leakage, so as to minimize personnel injuries, property losses and environmental pollution caused by accidents.

Major Work on Safe Production

Conduct safety hazard investigation	• The safety management department conducts on-site safety hazard investigations at least once a month for all departments and workshops, and rectifies any identified safety hazards; • Regularly evaluates major hazards and carries out special inspections of fire-fighting facilities.
Organize safety training	• Organizes safety training activities for all employees to strengthen employees' safety awareness and improve their risk identification capability.
Conduct regular drills to refine emergency plan	• Conducts safety emergency drills on a regular basis with the aim of finding out problems in the emergency plan vthrough simulating the accident scene, and then continuously improves the emergency plan.

- The signing rate of safety production responsibility letter was 100%;
- Carried out 11 special inspections on production safety, environmental protection, and occupational health;
- The average completion rate of rectification of potential safety hazards in production, environmental protection and occupational health was around 98%;
- Implemented 9 inspections towards safety production safeguard measures
- Carried out 14 trainings on production safety, environmental protection, and occupational health;
- The number of employees who took the safety production training was 13,668 person-times, totaling 14,281 hours;
- Conducted 7 emergency drills.

[Case] Emergency Drills for Disposal of Hazardous Waste Leakage

In 2020, the Company conducted emergency drills for disposal of hazardous waste leakage. During the emergency drills, the emergency rescue team of hazardous waste responded positively according to the plan, and the emergency drills were successfully completed. This drill has improved the coordination ability among the emergency departments and personnel, further clarified the respective post responsibilities of the emergency personnel, and enhanced the confidence and overall emergency response ability of the staff to deal with emergency rescue.

[Case] Safety Renovation Project-Identification and Renovation of Dangerous Sources of Casting

In order to ensure production safety, the Company launched a special rectification plan for high-temperature molten metal operations in August 2020, conducted a comprehensive hazard identification and risk assessment of the Company's melting and casting workshop, and engaged external experts to conduct a third-party review of the assessment. The Company carried out corresponding rectifications for the hidden dangers found in the risk assessment by equipping the cooling water of the furnace with temperature, inlet and outlet flow difference detection and alarm devices. In October 2020, the Company completed the special rectification plan for high temperature melting, which eliminated potential risks and ensured safe production.

Occupational Health

The main occupational hazards in the workshop of the Company are noise, oil mist, copper smoke, dust, zinc oxide, high temperature, sulfuric acid, etc. 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*. It has passed the ISO45001: 2018 (GB/T 45001-2020) occupational health and safety management system certification.

In 2020, the Company completed the monitoring of occupational hazards in the workplace. The Company adopted a series of occupational disease prevention measures to effectively prevent and control occupational disease hazards for people exposed to occupational hazards. At the same time, it regularly organizes occupational health training to protect employees' occupational health.

Key Aspects of Preventing Occupational Diseases

Equipped with occupational disease protection tools	• According to the existing occupational disease risk prevention and control requirements, in terms of personnel, distributed dust masks (NK95), earplugs, gloves (gauze gloves, cloth gloves, rubber gloves), etc., to operators who are at risk of occupational diseases based on the prevention and control needs.
Renovation of facilities to reduce harm	• Built a sound-proof room behind the noisy machine to further reduce the impact of noise on the employees' body; • Installed acid mist absorption device to reduce the harm of acid mist to human body; • Installed secondary dust collecting hood on each furnace to solve the problem of heavy smoke and dust in the semi-continuous casting workshop, and required employees to wear dust masks.
Regular physical examination	• Regularly organized occupational disease examinations for on-the-job personnel, and physical examinations for those who are on or off occupational disease positions.

[Case] Radiation Hazard and Personal Protective Measures Training

To improve personal occupational health awareness, in May 2020, the Company launched special occupational health training for X-ray vehicle holders, including operators of portable X-ray inspection equipment for raw materials, gate guards and finishing. The training content includes basic radiation knowledge, Radiation hazards to the human body and dose limits, radiation protection, radiation safety management of the Company and information and hazards of X-ray detector equipment, and a total of 36 employees involved in radiation hazards participated in this training.

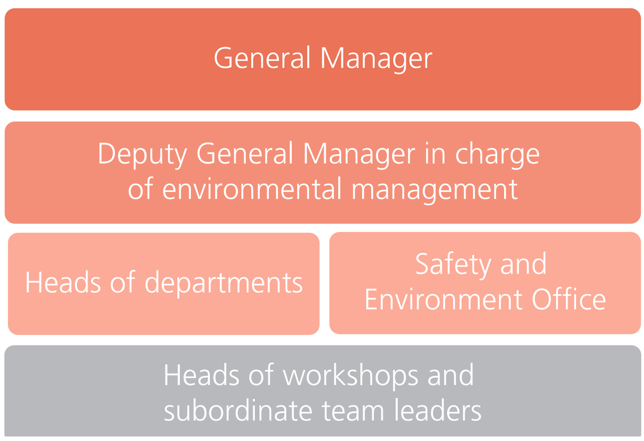
5. FOR THE ENVIRONMENT: FULFILLING GREEN DEVELOPMENT RESPONSIBILITIES

The Company remains committed to the concept of green development, attaches great importance to the impact of its own development on the ecological environment, and continuously carries out environmental protection technological transformation projects through the establishment of a sound environmental management mechanism and system, thereby striving to improve its performance in, amongst others, the use of resources, energy conservation and emission reduction and waste management while fulfilling its responsibility of green development.

5.1 Environmental Management

Environmental Management System

With adherence to the concept of "energy conservation, low carbon, green development", the Company has established a sound environmental management system, formulated the *Environmental Management Procedures* and other governing documents, and passed the ISO 14001:2015 (GB/T 24001-2016) certification for environmental management system. In 2020, the Company newly developed *the Environmental Protection Responsibility System* to further refine the environmental management-related efforts and implement the specific responsibilities of the Company's various departments in respect of environmental management and protection.



Environmental Protection Structure and Functions

Persons-in-charge	Main Duties
General Manager	**The first person responsible for environmental protection** • To formulate macro environmental management policies and development plans of the Company; • To organize the environmental protection system and the system in relation to environmental protection targets.
Deputy General Manager in charge of environmental management	**The direct person responsible for environmental protection** • To support and guide the Environmental Protection Office to carry out environmental protection work; • To implement and revise rules and regulations regarding environmental protection, and to decompose environmental protection targets.
Safety and Environment Office	**The internal and external monitoring body for environmental management** • To identify the environmental protection guidelines, policies, laws and regulations of the state and higher-level administrative departments; • To monitor the implementation of the internal environmental management work of the Company.
Heads of departments and centers	**The person responsible for general environmental protection issues within the business scope of the department** • To address the problems and hidden risks in relation to environmental protection within its management scope; • To collaborate with the heads of the subordinate workshops to implement the environmental protection system and operating procedures.
Heads of workshops and subordinate team leaders	• Responsible for the specific implementation of the environmental management initiatives of the respective departments.

Environmental Impact Analysis

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 of this business 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	2020
Use of Resources	
Power consumption per unit product (kWh/tonne product)	1,522
Natural gas consumption per unit product (m^3/tonne product)	93
Water consumption per unit product (m^3/tonne product)	3
Usage of packaging materials used for shipment of finished products per unit product (tonne)	2,407

Emission Output

Key Performance	2020
Emissions	
Waste water discharge per unit product (m^3/tonne product)	1.35
Production of hazardous wastes per unit product (kg/tonne product)	11.71
Production of non-hazardous wastes per unit product (kg/tonne product)	26.76
Emission intensity of greenhouse gases (tCO_2 equivalent/tonne product)	1.46

5.2 Use of Resources

Use of Energy

Main energy consumed during the Company's production includes electricity and natural gas, and energy consumption is also the main source of greenhouse gas. Based on the principle of energy conservation and consumption reduction, 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 achieve source control and continuous improvement while satisfying and increasing productivity.

The Company has formulated and implemented energy management targets, purchase of environmental protection equipment and transformation of old equipment to lower production costs while reducing greenhouse gas emissions. Furthermore, the Company also further reduced its impact on environment by proactively replacing traditional energy with solar energy.

Energy-saving Initiatives for 2020

Copper milling foam dryer transformation project	Centrifugal pump air compressor project
The copper milling foam dryer was renovated and put it into full use to reduce the consumption of natural gas. The average monthly natural gas consumption per unit output was 20 cubic meters/tonne before the transformation of the project, As compared to 7 cubic meters/tonne after the transformation, representing a decrease of approximately 65% in natural gas consumption.	The original air compressor had high energy consumption and produced small air volume. By employing a frequency conversion air compressor to replace the old equipment, the Company has improved energy efficiency and conserved resources.

Use of Water Resources

The Company uses the municipal water supplied by Hangzhou Bay Water Supply Company in Hangzhou Bay New Zone, 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. In 2020, the Company carried out the rainwater collection and reuse project. The current roof rainwater collection system is designed with a covered area of 3,200 square meters. After precipitation and filtration, the rainwater so collected is mainly used for hot rolling and flannel cooling.

Use of Packaging Materials

The packaging materials used by the Company are mainly wooden frames, paper cores, interlining cloth, etc. The Company has formulated corresponding management regulations for the use of packaging materials to reduce waste of resources. Meanwhile, the Company recycled and reused 6,164 wooden frames to reduce packaging consumption and promote resource conservation. In 2020, the Company built a constant temperature and humidity facilities for wood storage, in a bid to reduce wood waste caused by improper storage.

5.3 Discharge and Emission Management

Waste Water Discharge Management

Waste water generated by the Company in the course of the Company's production and operation primarily includes production waste water and domestic waste water. The production waste water mainly 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 obtained a relevant sewage discharge permit in accordance with the requirements of the national and local governments and strictly implements pollution declaration and discharge registration. In addition, the Company has formulated the *Waste Water Management Regulations* and regularly measures waste water discharge to ensure the waste water discharge is in compliance.

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 Emission 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. The Company has established and improved the internal exhaust gas emission management system, and the exhaust gas emission complies with the national emission standards.

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

The general waste generated in the Company's production and operation activities mainly includes slag, copper scrap, leftover bits and pieces in workshops, etc. In order to maximize the utilization rate of resources, the Company has established the Recycling Resources Division to sell waste copper and miscellaneous iron to recycling companies and entrust qualified organizations for uniform handling of waste paperboards, waste plastics and other materials.

The hazardous waste produced from the Company's production and operation activities 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.

In 2020, the Company revised the Solid Waste Management System in accordance with the newly revised Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, conducted an internal review on its own risks as required and launched training courses on a targeted basis.

Major Measures for Waste Reduction in 2020

High concentration mixed waste water sewage treatment station	Diatomite oil extraction equipment
After being put into operation, it gradually replaces the original saponification liquid and degreasing liquid treatment station to reduce the production of saponified mud cake, a hazardous waste produced by the Company.	In 2020, the equipment was inspected, accepted and put into production, which has reduced the production of oily diatomaceous earth which would need to be passed to an incineration plant for handling. At the same time, the extracted mineral oil is sold as a renewable resource to qualified companies for processing and recycling, thus improving the resource. utilization rate.
Production of saponified mud cake down by approximately 70%	Production of oily diatomaceous earth down by approximately 50%

[Case] Training on the Law on the Prevention and Control of Environmental Pollution by Solid Waste (Revision)

In August 2020, the Company engaged external experts to carry out relevant training on the newly revised and implemented the *Law on the Prevention and Control of Environmental Pollution by Solid Waste* for the management of its departments. At this training titled the "Interpretation of the New Solid Waste Law and Related Requirements for Enterprise in Solid Waste Management", the content of the new amendments was interpreted, and precautions for the new requirements were introduced, pointing out the Company's future improvement direction in waste management.

5.4 Climate Change Mitigation and Adaption

Climate Change Management

Global climate change not only causes extreme weather phenomena, but also seriously affects various economic and social activities. The Company actively responds to the appeals of global governments, investors and other stakeholders to address climate change, identifies risks and opportunities related to climate change, and continuously refines its management based on the results thereof to minimize the carbon footprint of its operating activities.

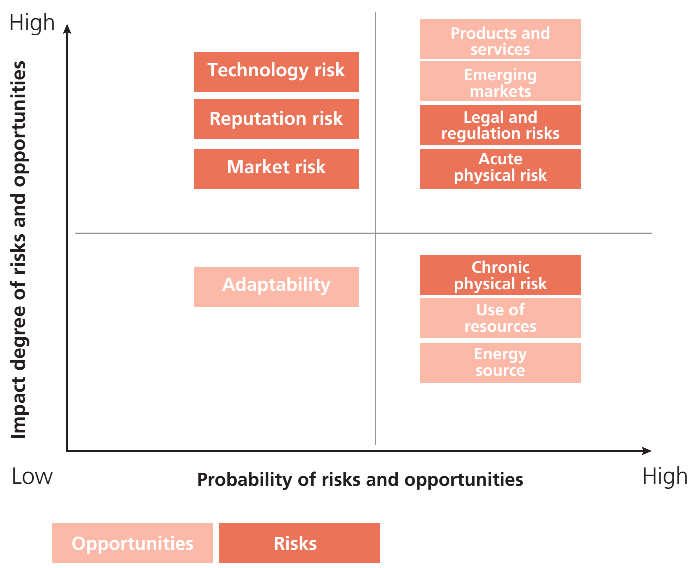
Climate Change Management System

Governance	• We have included climate change issues into the ESG focal points of Xingye Alloy. The Company's ESG issues, including climate change issues are monitored and managed by the Board; • The Company regards climate change mitigation and adaptation as one of the work priorities of all relevant business units and its safety and environmental protection department;
Strategy	• To assess the potential operational and financial impact on the Company based on the identified major risks and opportunities; • To carry out relevant management actions in the development of low-carbon operations and active use of clean energy (such as solar power);
Risk Management	• To identify the important links in operating activities which cause greenhouse gas emissions, and to identify potential risks and opportunities; • The Company plans to incorporate the risks and opportunities of climate change into its overall operational risk management in the future;
Performance	• To disclose greenhouse gas emissions and emission intensity in the ESG report each year so as to evaluate the Company's management performance on addressing climate change and to formulate improvement plans; • Carbon emission reduction targets have been formulated since 2020, and are planned to be disclosed in the annual report from next year and onwards.

Climate Change and Opportunities

In order to better cope with the potential risks and opportunities of climate change, the Company has identified risks and opportunities associated with climate change in relation to its own operations by conducting policy research and industrial benchmarking and with reference to expert opinions, and assessed the impact of various risks and opportunities on its financial position.

Risks and Opportunities Identification Matrix in Relation to Climate Change



<table>
<tr><th colspan="3">Major Risks and Opportunities Identification Matrix in Relation to Climate Change</th><th>Potential financial impact</th><th>Countermeasures</th></tr>
<tr><td rowspan="6">Risks</td><td rowspan="4">Transitional risk</td><td>Reputation risk

With the transition to a low-carbon economy, stakeholders expect the Company to take proactive management actions in response to climate change and improve the transparency of information disclosure. Failure of the Company to respond properly to the appeals of these stakeholders will pose an impact on the Company's reputation.</td><td>• Increased finance costs</td><td rowspan="4">• To regard climate change mitigation and adaptation as one of the work priorities of all relevant business units and its safety and environmental protection department;

• To identify and manage climate change risks with reference to the TCFD framework;

• To communicate with stakeholders through ESG reports and other channels in respect of climate change as a key issue;

• To phase out high energy consuming equipment;</td></tr>
<tr><td>Policy and legal risks

As a production and processing enterprise, new policies and regulations governing the Company may be gradually introduced. The impact of the Company on the environment in its production process shall comply with the requirements of laws and regulations.</td><td>• Increased credit risk

• Increased product development costs</td></tr>
<tr><td>Market risk

Customer behaviour will change along with climate change. The demand for eco-friendly products has been growing. Failure of the Company to provide eco-friendly products with a smaller carbon footprint may subject the Company to a decrease in demand for products and services.</td><td>• Decreased operating income</td></tr>
<tr><td>Technology risk

The Company is required to invest more capital to purchase low-carbon emission equipment, leading to an increase in operating costs relating to technology-based production.</td><td>• Increased operating costs

• Increased operating investment</td></tr>
<tr><td rowspan="2">Entity risks</td><td>Acute physical risk

When the Company encounters extreme weather, such as typhoons and heavy rains, the water and electricity supply may be interrupted due to the weather, resulting in production interruptions and economic losses.</td><td>• Increased operating costs

• Decreased operating income</td><td rowspan="2">• To purchase insurance to cover extreme weather events (such as typhoons) caused by climate change;

• To formulate the Natural Disaster Accident Emergency Plan, and regularly carry out emergency drills and training regarding natural disaster accidents.</td></tr>
<tr><td>Chronic physical risk

The persistently high temperature caused by climate change may lead to a sharp increase in the Company's electricity consumption, thus increasing operating costs and carbon emissions.</td><td>• Increased operating costs</td></tr>
</table>

<table>
<tr><th colspan="2">Major Risks and Opportunities Identification Matrix in Relation to Climate Change</th><th>Potential financial impact</th><th>Countermeasures</th></tr>
<tr><td rowspan="5">Opportunities</td><td>Efficiency of resource utilization

Improving the efficiency of resource utilization, including the use of energy and water resources, may help the Company reduce its costs incurred in the course of operations.</td><td>• Decreased operating costs</td><td rowspan="5">• To regard climate change mitigation and adaptation as one of the work priorities of all relevant business units and its safety and environmental protection department;

• To identify and manage climate change opportunities with reference to the TCFD framework;

• To communicate with stakeholders through ESG reports and other channels in respect of climate change as a key issue;

• To phase out high energy consuming equipment;

• To strengthen technological innovation;

• To build a green factory.</td></tr>
<tr><td>Energy source

Increasing the use of low-emission energy/clean energy in the course of operations is constructive to reducing the risk associated with the increase in future energy price.</td><td>• Decreased operating costs</td></tr>
<tr><td>Products and services

The Company may employ technological innovation and transformation to improve energy efficiency, achieve energy conservation and emission reduction, reduce the carbon footprint of its products and make its products more environmentally competitive.</td><td>• Increased revenue due to growing product demand</td></tr>
<tr><td>Emerging markets

With the transition to a low-carbon economy, changes in consumers may lead to increased market demand for energy-saving and environmentally-friendly products, such as new energy vehicles. Certain new energy products fall in the development directions of the Company's existing or prospective customers. The increase in customer demand will bring more orders, thus creating headroom for the growth of the Company's operating income.</td><td>• Increased operating income</td></tr>
<tr><td>Adaptability

The Company actively participates in industry exchanges to develop an understanding of the industry dynamics of green products so as to better manage climate change-related risks and capitalize on the arising opportunities</td><td>• Increased operating income</td></tr>
</table>

6. FOR THE COMMUNITY: ACTIVELY GIVING BACK TO AND JOINING HANDS WITH THE SOCIETY FOR A WIN-WIN SITUATION

As a responsible social citizen, Xingye Alloy actively participates in social public service undertaking and establishes a positive corporate image, contributing to building a harmonious society.

6.1 Community Public Services

Actively participate in social public services

The Company is devoted to serving the society and actively supports the development of the local community, focusing on community public service in environmental protection and education fields, and participating in voluntary community services to build a heart-warming community. In 2020, the Company responded to the local government's call to assist medical staff so as to help fight against the COVID-19 pandemic. The Party Committee of the Company organized donations from party members in total of RMB7,896.99. In addition, the Company continued to carry out various community public service activities,focus on promoting the harmonious co-existence of the communities where it is located, and fulfil corporate social responsibility with practical actions.

The Company has been committed to social welfare activities in the field of education, and established the "Xingye Copper Scholarship", "Xingye Student Scholarship" and "Xingye Excellent Head Teacher Award" at Jiangxi University of Science and Technology to, on the one hand, encourage undergraduates to study hard and make a success, and on the other hand, recognize teaching staff's dedication.

In terms of supporting community environmental protection, in 2020, the Company actively participated in garbage classification promotion activities in the new district, and launched garbage classification promotion campaign. The Company organized 9 participations in the volunteer activities of garbage classification promotion to households, distributed treatment promotion brochures and articles in the new district, and participated in community garbage clean-ups and other activities to raise the awareness of the community residents on garbage classification. Our volunteers served for a total of 54 hours.

In addition, the Company actively participates in community volunteer service activities. In 2020, the Company launched volunteer activities such as "Warm Way Home" and the "Visit to the Elderly in the Community on the Chung Yeung Festival".

[Case] A visit to the elderly on the Chung Yeung Festival

On the occasion of the Chung Yeung Festival, the Company participated in the community volunteer service activity organized by the Sizaopu Social Work Committee. A total of 8 party members participated in the winter warmth activity for the elderly living alone in nearby villages, and visited 18 households of the elderly at Mazhong Village which the Company had previously established connections with. The volunteers presented them with winter quilts, cakes and other offerings, bringing them holiday greetings.

7. ZHANGYUE TECHNOLOGY: CREATING QUALITY EXPERIENCE FOR USERS

It has been identified that the material issues involved in Zhangyue Technology include innovative R&D, product health and safety, customer privacy protection, employee rights and benefits, compliance and risk management, as detailed in section 1.3 of this report. This chapter is intended to address the above issues.

7.1 Responsibility for Products

Innovative R&D

Zhangyue Technology is committed to providing high-quality game products for the masses of users, endeavors to improve product quality and continuously optimizes users' gaming experience. In 2020, it 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 "Siege Three Kingdoms" (《攻城三國》), and launched new products including the mobile game titled "Zhe Jiu Shi Xiu Xian" (《這就是修仙》).

Zhangyue Technology formulated incentive plans for R&D personnel, namely *the Rules for Employee Performance Appraisal Implementation* and *the Regulations for Employee Reward and Punishment*, aiming to encourage employees to develop more high-quality products and actively innovate products.

In terms of intellectual property rights, Zhangyue Technology formulated and strictly implemented *the Intellectual Property Rights Management System* of Zhangyue Network Technology Co., Ltd. to strengthen the management and safeguard the patents, trademarks, software copyrights, network domain names and other intellectual property rights of the Company.

Healthy Gaming Environment and Anti-addiction Measures for Minors

Zhangyue Technology attaches great importance to providing users with a healthy and harmonious gaming environment. In the game scene, when it is detected that the content input by a user contains sensitive information, suspected reaction, terrorism and other sensitive words, the sensitive content input by the user will be automatically blocked, or the user will be alerted that the input content is against the rules.

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, and at each game product interface and purchase item box in 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 pays attention to the physical and mental health of users, especially the protection of minors, and has adopted a variety of measures to prevent minors from excessive addiction to online games. Zhangyue Technology has implemented real-name authentication for all game users. According to national policy requirements, an anti-addiction system has been applied to limit the login period and duration, and to make it impossible for minors to spend a long time online to gain the growth of personal abilities and the increase in compensation value 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 has developed a customer service system featuring "five indicators for lean production" that is strictly implemented and constantly optimized to improve customer service quality. Zhangyue Technology attaches high importance to communications with customers, puts in place *the Customer Complaint Plan Mechanism* and *the Complaint Handling Process*, and carries out customer follow-up management to understand customer feedback and give positive responses. In addition, Zhangyue Technology addresses customer concerns in a timely manner and enhances cooperation and communication with customers, in a bid to achieve common development with customers.

In order to keep improving user gaming experience, Zhangyue Technology mainly controls the quality of the game from three aspects, namely program, planning and art. It also ensures the stability of servers and upgrades the image quality of the games by continuously improving the server performance, in an attempt to improve product quality and customer satisfaction.

Zhangyue Technology conducts customer satisfaction surveys twice a year in the form of on-line User Satisfaction Survey Questionnaire for the games, with not less than 200 respondents in each survey. The surveys for 2020 covered approximately 370 respondents on average, with a user satisfaction result of 89 points, representing a stable increase from last year.

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. During the reporting period, the Company had no violations related to user information and privacy compromise.

7.2 Responsibility for Employees

Rights 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.

In terms of employee benefits, 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.

In terms of employee communication, Zhangyue Technology maintains unimpeded communication channel where employees may communicate with the Company in various aspects such as salary and benefits through various methods, including employee mailbox, CEO face-to-face and communications with the Human Resources Department.

In terms of employee promotion and development, 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*. The Human Resources Department conducts four quarterly appraisals and one annual appraisal every year to comprehensively consider 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 "Tutor" training model, under which all newly recruited employees are provided with dedicated work mentors.

Attendance awards
Additional paid annual leave
Meal allowance
Travel allowance
End-of-Year benefits and bonus
Holiday gifts
Birthday gifts
Flexible working hours
Afternoon tea

Overview of Benefits Available to Employees of Zhangyue Technology

[Case] Adopting cute pets to relieve employees' stress and their psychological pressure

In view of the high pressure in the gaming industry, as cute pets have proven to be effective in the relief of stress and depression, the Company started to raise cats in the office this year, adding fun to employees while alleviating their psychological pressure.

7.3 Compliance Management and Anti-corruption

Zhangyue Technology complies with the laws and regulations during the course of its operations. For the year ended 31 December 2020, the Company did not violate any laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare, prevention of child and forced labour, product and service information, business logos and marketing during the reporting period.

The following table sets forth the main laws and regulations applicable to the Company:

Aspect	Main laws and regulations applicable to the Company	Compliance
Employment and Labour	*The Labour Law of the People's Republic of China, the Law of the People's Republic of China on Employment Contracts, the Social Insurance Law, the Law on Mediation and Arbitration of Labor Disputes, 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.	Compliant
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.	Compliant
Responsible marketing	*The Advertisement Law of the People's Republic of China, the Interim Measures for Online Game Management,* etc.	Compliant
Customer Privacy Protection	*The Interim Measures for Online Game Management and the Notice on Implementing the "Interim Measures for Online Game Management",* etc.	Compliant
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.	Compliant

Zhangyue Technology has formulated the *Code of Conduct of Employees for Anti-Bribery and Anti- Corruption* to resolutely put an end to commercial bribery activities, create 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.

Zhangyue Technology has identified the supply chain as an important part of its anti-corruption management. Zhangyue Technology has formulated the *Supplier Management System* to regulate management of suppliers. Zhangyue Technology has put in place a supplier review and approval system to conduct unified management of suppliers. 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.

8. SOCIAL RECOGNITION

Awards and Honours Received by the Company in 2020	Issued by
Energy Conservation and Green Standard Research Project of the Ministry of Industry and Information Technology for 2020	Ministry of Industry and Information Technology of the People's Republic of China
Most Potential Automotive Material Application Award for 2020	Shanghai Non-ferrous Metals Trade Association
Shoujia Vocational Skill Level Accredited Enterprise in Hangzhou Bay New Zone	Human Resources and Social Security Bureau of Hangzhou Bay New Zone
Re-evaluated Excellent -level Responsible Social Citizen in Ningbo, Five-star Harmonious Enterprise of the First Batch	Ningbo Corporate Social Responsibility Evaluation Center
Pioneer in Prevention and Control of COVID-19 Pandemic in Hangzhou Bay New Zone	Sizaopu Social Work Committee of Hangzhou Bay New Zone
Top 100 in Comprehensive Strength in Ningbo, Top 100 in Competitiveness in Ningbo, and Top 100 in Manufacturing in Ningbo	Ningbo Enterprise Confederation, Ningbo Entrepreneur Association, and Ningbo Federation of Industrial Economics

9. KEY QUANTITATIVE PERFORMANCE TABLE

9.1 Environmental Performance

Environmental Performance of Shengtai Group

Indicators[1]		Unit	2018	2019	2020
Use of Resources for production					
Power consumption		MWh	223,639	185,680	**164,160**
Natural gas consumption[2]		m³	9,713,130	9,272,825	**12,995,668**
Water consumption		m³	519,657	345,076	**443,230**
Circulating water consumption		m³	494,000	327,923	**392,372**
Reuse ratio of water resources		%	95	95	**89**
Power consumption per unit product		kWh/tonne product	1,645.00	1,651.00	**1,522.00**
Natural gas consumption per unit product		m³/tonne product	69	86	**93**
Comprehensive energy consumption per unit product (electricity + natural gas)		kWh/tonne product	2,326.63	2,500.56	**2,440.71**
Water consumption per unit product		m³/tonne product	4	3	**3**
Other resource usage					
Total solar power		kWh	6,747,660	6,235,260	**6,107,440**
Diesel and gasoline consumption of shuttle bus and vehicles for employees	Diesel	liter	74,000	36,363	**102,072**
	Gasoline[3]	liter		37,352	**–**
Total packaging materials used for shipment of finished product		tonne	2,442	2,359	**2,407**
Use of packaging materials (wood) for finished products		tonne	1,781	1,720	**1,524**
Use of packaging materials (corrugating medium) for finished products		tonne	536	518	**468**
Use of packaging materials used for shipment of finished products per unit product		kg/tonne product	18.26	18.51	**18.33**

Indicators[1]	Unit	2018	2019	2020
	Emissions			
Industrial waste water discharge[4]	m^3	363,760	257,698	**176,774**
Industrial waste water discharge per unit product	m^3/tonne product	2.72	2.02	**1.35**
Production of hazardous wastes	tonne	850	1,247	**1,538**
Production of hazardous wastes intensity	kg/tonne product	6.36	9.79	**11.71**
Production of non-hazardous wastes	tonne	1,060	4,613	**3,513**
Production of non-hazardous wastes intensity	kg/tonne product	7.93	36.20	**26.76**
Total emissions of greenhouse gas (Scope 1)[5]	tCO_2 equivalent	21,232.72	20,276.32	**28,416.78**
Total emission of greenhouse gas (Scope 2)[5]	tCO_2 equivalent	179,939.94	149,398.13	**162,685.29**
Total emission of greenhouse gas	tCO_2 equivalent	201,172.66	169,674.45	**191,102.07**
Emission intensity of greenhouse gases	tCO_2 equivalent/tonne product	1.5	1.33	**1.46**
Number of fines imposed due to violation acts in discharge of pollutants	time	1	0	**0**

Notes:

1. In order to make the data more consistent and comparable, the Company has disclosed unit product indicators such as "power consumption per unit product" since this year, and density indicators such as "Usage of packaging materials used for shipment of finished products per unit product". The calculation method of unit product index is total electricity consumption, steam consumption and water consumption per tonne product; the calculation method of density index is total consumption/generation/emission in the year divided by total tonnes of product in the year.

2. In 2020, natural gas consumption increased as a result of the Company's technological transformation of its pickling line, which uses clean energy natural gas instead of electricity; in addition, the increase in power consumption per unit output value and natural gas consumption per unit output value were due to the increased output and the Company's adjustments to its product mix.

3. The Company's gasoline consumption is mainly derived from employee commuter buses. In 2020, as the Company replaced the original bus with new energy vehicles, gasoline consumption was greatly reduced. Therefore, the Company no longer maintains statistics on gasoline consumption.

4. The amounts of industrial waste water discharge for 2018 and 2019 were data estimated by the Company. The Company engaged new flow meters to monitor the discharge of industrial waste water in 2020, and such disclosed figure is the accurate data based on the monitoring conditions.

5. In 2020, the Company's greenhouse gas emissions were calculated based on Appendix 2: Reporting Guidance on Environmental KPIs of Environmental, Social and Governance Reporting Guide issued by the Stock Exchange (March 2020 edition), in which adjustments have been made to the coefficients for calculating emissions of greenhouse gas (Scope 2) from the previous edition, leading to the increased figure for 2020.

Environmental Performance of Zhangyue Technology

Indicators	Unit	2018	2019	**2020**
Total water consumption	tonne	4,234	5,009	**3,632**
Water consumption per unit floor area	tonne/sq m	4.98	5.89	**3.76**
Total electricity consumption	kWh	87,098	92,160	**80,084**
Power consumption per unit floor area	kWh/sq m	102.5	108.4	**89.0**

9.2 Social Performance

Number of Employees

Indicators		Unit	2018	2019	**2020**
	Number of Employees				
Total employees		Person	1,290	1,334	**1,336**
By gender	Male	person	1,071	1,090	**1,107**
	Female	person	219	244	**229**
By employment type	Labor contract system	person	1,233	1,288	**1,293**
	Other employment forms[1]	person	57	46	**43**
By age group	>50 years old	person	172	199	**211**
	30 to 50 years old	person	776	799	**788**
	<30 years old	person	342	336	**337**
By region	Mainland employees	person	1,281	1,326	**1,329**
	Foreign employees[2]	person	9	8	**7**

Notes:

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

2. Statistics on the number of overseas employees refer to the number of employees whose work locations are overseas.

Regular Employment and Labor Performance of Shengtai Group

Indicators		Unit	2018	2019	2020
Employment and Employee Rights and Interests					
Employee turnover rate[1]		%	24.78	23.10	**27.70**
By gender	Female	%	17.50	21.86	**24.76**
	Male	%	26.06	23.35	**28.29**
By age group[2]	>50 years old	%	12.50	10.19	**6.34**
	30 to 50 years old	%	20.87	21.20	**23.06**
	<30 years old	%	37.55	33.12	**53.07**
By region	Mainland employees	%	24.83	23.10	**27.70**
	Foreign employees	%	0	0	**0**
Number of labor dispute events		dispute	0	0	**0**
Care for Employees					
Funds for all kinds of subsidies, free shuttle bus and dormitory accommodation		RMB10,000	258	278	**282**
Number persons who benefit from all kinds of subsidies, free shuttle bus and dormitory accommodation		person	2,598	2,612	**2,663**
Employee satisfaction survey result		point	88.9	77.0	**78.0**
Fund input for greening the plant area		RMB10,000	28.0	30.0	**32.0**
Occupational Health and Safety					
Number of employees in posts exposed to occupational disease risk		person	422	431	**474**
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[3]		day	830	740	**681**
Total input for safety operation[4]		RMB10,000	650	752	**670**
Attendance at safe production training		time	5,381	2,300	**2,350**
Number of safe production trainings		time	110	96	**108**
Number of emergency drill activities		time	6	7	**7**
Number of employees participating in emergency drill activities		time	157	245	**175**
Number of events on violation of safety laws and regulations		time	0	0	**0**
Number of major accidents		accident	0	0	**0**

Indicators	Unit	2018	2019	2020
Training and Development of Employees				
Funds for employee training	RMB10,000	51.0	64.0	**94.5**
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	25.0	26.8	**26.3**
Average training hours per male employee	hour	24.8	26.4	**25.9**
Average training hours per female employee	hour	26.1	28.6	**27.8**
Average training hours per junior employee training	hour	28.0	25.6	**24.47**
Average training hours per middle level employee	hour	45.0	33.0	**40.28**
Average training hours per senior management employee	hour	40.0	37.6	**37.49**

Notes:

1. The employee turnover rate is calculated by the following formula: Employee turnover rate=(Total number of retired and separated employees)/(Total number of employees at the period end + Total number of retired and separated employees)×100%.

2. The increase in turnover rate of employees under 30 in 2020 was due to the Company's adjustment to its talent strategy. In 2020, the Company optimized its staff structure and mainly recruited young talents; in addition, the high turnover rate of employees during the probationary period also led to the increase in turnover rate of employees.

3. The number of days lost due to work injury included the cases which did not meet the statutory work-related injury levels but were allowed to take a leave under our internal management system.

4. 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.

Supply Chain Management Performance of Shengtai Group

Indicators		**Unit**	2018	2019	**2020**
Total number of suppliers[1]		supplier	217	806	**893**
By region	Local suppliers	supplier	211	800	**880**
	Overseas suppliers[2]	supplier	6	6	**13**
Number of visits		time	36	20	**49**
Number of suppliers assessed from the environment, labour and moral perspectives based on the Company's supplier assessment system		supplier	12	20	**49**
Compliance training hours for supplier		hour	20	8	**9**
Number of persons participating in compliance training from supplier		person	10	16	**66**

Notes:

1. The total number of suppliers for 2018 includes major suppliers for our procurement of supplies; the total number of suppliers for 2019 and 2020 includes all cooperating suppliers.

2. As the national standards for regenerated copper raw materials and regenerated brass raw materials became effective from 2020, the Company promptly approached and negotiated with overseas suppliers to expand its overseas supplier base.

Product Responsibility Performance of Shengtai Group

Indicators	**Unit**	2018	2019	**2020**
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	1,041	1,246	**1,140**
Complaint handling rate[1]	%	100	100	**100**
Fund input for technology innovation and R&D	RMB10,000	12,900	12,883	**12,910**
National awards and subsidies for technology innovation and R&D[2]	RMB10,000	1,015.0	1,093.8	**272.2**
Number of patent applications	piece	3	9	**7**
Number of patents granted	piece	4	3	**8**

Notes:

1. The complaint handling rate in this report was calculated using the following formula: Complaint handling rate=(Number of handled complaints)/(Total number of complaints received)×100%.

2. In 2020, the Company made a success in its application of the major project of "Technology Innovation 2025" in Ningbo City. As the national award of RMB6 million has not been received in 2020, the amount of national award and subsidy for technological innovation and R&D in 2020 has not been included.

Anti-corruption Performance of Shengtai Group

Indicators	**Unit**	2018	2019	**2020**
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**
Number of employees participating in anti-corruption related training	person	–	–	**1,258**
Anti-corruption training hours for employees	hour	–	–	**2,500**
Number of senior management members participating in anti-corruption training	person	–	–	**23**
Number of middle management members participating in anti-corruption training	person	–	–	**75**
Number of grassroots employees participating in anti-corruption training	person	–	–	**1,157**
Attendance of anti-corruption training of the Board	time	–	–	**3**
Anti-corruption training hours of the Board	hour	–	–	**6**

Community Investment Performance of Shengtai Group

Indicators	**Unit**	2018	2019	**2020**
Total input in public services	RMB10,000	18.92	19.94	**11.78**
Of which: Input in charitable donations	RMB10,000	–	10.54	**3.78**
Number of employees participating in volunteer activities	time	180	150	**218**
Total hours of employees participating in volunteer activities	hour	2,636	2,395	**3,570**

Product Responsibility Performance of Zhangyue Technology

Indicators		**Unit**	2018	2019	**2020**
Technology Innovation	Number of software production rights	dispute	7	42	**3**
	Fund input for technology innovation and R&D	RMB10,000	582.29	219.78	**323.42**
Responsibility for products	Number of customer complaints due to product quality or service	time	0	2	**2**
	Customer complaint handling rate	%	–	100	**100**
	Number of user satisfaction surveys	time	2	2	**2**
	User satisfaction score	point	84	87	**89**

10. CONTENT INDEX OF GUIDELINES OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT OF THE HONG KONG STOCK EXCHANGE

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	2.2 Compliance Management 5.1 Environmental Management
KPI A1.1	The types of emissions and respective emissions data	5.3 Discharge and Emission Management 9 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)	9 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)	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	
KPI A1.5	Description of measures to mitigate emissions and results achieved	5.3 Discharge and Emission Management
KPI A1.6	Description of how hazardous and nonhazardous wastes are handled, reduction initiatives and results achieved	5.3 Discharge and Emission Management

Aspect, General Disclosure and Key Performance Indicators		Sections
Aspect A2. Use of Resources		
General Disclosure A2	Policies on the efficient use the resources, including energy, water and other raw materials.	5.1 Environmental Management
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)	9 Key Quantitative Performance Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	
KPI A2.3	Description of energy use efficiency initiatives and results achieved	5.2 Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	5.2 Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	5.2 Use of Resources 9 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	5.4 Climate Change Mitigation and Adaption
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	5.4 Climate Change Mitigation and Adaption

Aspect, General Disclosure and Key Performance Indicators		Sections
Subject Area B. Social Employment and Labor Practices		
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, antidiscrimination, and other benefits and welfare	2.2 Compliance Operation and Anti-corruption 4.1 Rights and Benefits of Employees
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	9 Key Quantitative Performance Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region	
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	2.2 Compliance Operation 4.3 Occupational Health and Safe Production
KPI B2.1	Number and rate of work-related fatalities	9 Key Quantitative Performance Table
KPI B2.2	Lost days due to work injury	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	4.3 Occupational Health and Safe Production

Aspect, General Disclosure and Key Performance Indicators		Sections
Aspect B3. Development and Training		
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	4.2 Training and Development of Employees
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	9 Key Quantitative Performance Table
KPI B3.2	The average training hours completed per employee by gender and employee category	9 Key Quantitative Performance Table
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	2.2 Compliance Operation 4.1 Rights and Benefits of Employees
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	2.2 Compliance Operation 4.1 Rights and Benefits of Employees
KPI B4.2	Description of steps taken to eliminate such practices when discovered	4.1 Rights and Benefits of Employees No violation

Aspect, General Disclosure and Key Performance Indicators		Sections
Subject Area B. Social Operating Practices		
Aspect B5. Supply Chain Management		
General Disclosure B5	Policies on managing environmental and social risks of the supply chain	3.1 Responsibility for Products 7.3 Compliance Management and Anti-corruption
KPI B5.1	Number of suppliers by geographical region	9 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	3.1 Responsibility for Products 9 Key Quantitative Performance Table 7.3 Compliance Management and Anti-corruption
Aspect B6. Product 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	2.2 Compliance Operation 7.3 Compliance Management and Anti-corruption
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	9 Key Quantitative Performance Table
KPI B6.2	Number of products and service related complaints received and how they are dealt with	9 Key Quantitative Performance Table
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	3.3 Technology Innovation 7.1 Responsibility for Products
KPI B6.4	Description of quality assurance process and recall procedures	3.1 Responsibility for Products 7.1 Responsibility for Products
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	3.1 Responsibility for Products 7.1 Responsibility for Products

Aspect, General Disclosure and Key Performance Indicators		Sections
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	2.2 Compliance Operation 7.3 Compliance Management and Anti-corruption
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	9. Key Quantitative Performance Table
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	2.2 Compliance Operation 7.3 Compliance Management and Anti-corruption
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	6.1 Community Public Services
KPI B8.1	Focus areas of contribution (e.g. education, environmental issues, labour needs, health, culture, sports)	6.1 Community Public Services
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	9. 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 2020.

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.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting held on 19 June 2020, the English name of the Company has been changed from "Huan Yue Interactive Holdings Limited" to "Xingye Alloy Materials Group Limited" and the dual foreign name in Chinese of the Company has been changed from "歡悅互娛控股有限公司" to "興業合金材料集團有限公司". The Certificate of Incorporation on Change of Name has been issued by the Registrar of Companies in the Cayman Islands on 19 June 2020 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company confirming the registration of the Company's new English and Chinese names of "Xingye Alloy Materials Group Limited" and "興業合金材料集團有限公司" respectively in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) was issued by the Registrar of Companies in Hong Kong on 14 July 2020. The stock short names for trading in the shares on The Stock Exchange of Hong Kong Limited has been changed to "XINGYE ALLOY" in English and "興業合金" in Chinese with effect from 9:00 a.m. on 23 July 2020.

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 14 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 13 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 28 to 96 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the accompanying financial statements on page 121.

The Board does not recommend the payment of any dividend for the year ended 31 December 2020.

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 15 June 2021 to 18 June 2021, 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 11 June 2021.

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 213 to page 214.

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 2020 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 2020 calculated under the Companies Act of the Cayman Islands amounted to RMB757,960,000.

ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE AND SHARE BUY-BACK

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 (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. The Company further announced that all conditions under the Settlement Deed had been fulfilled and completion of Share Buy-back took place on 16 April 2020. The Sale Shares (i.e. 41,000,000 shares of the Company) had been cancelled by the Company on 17 April 2020. The residual repayment amount of HKD2,195,779.80 was settled on 18 September 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 the Environmental, Social and Governance Report of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the aggregate revenue from sales of goods attributable to the five largest customers and the largest customer of the Group accounted for approximately 15.2% and 4.5% of the Group's aggregate revenue from sales of goods respectively, while the aggregate purchases attributable to five largest suppliers and the largest supplier of the Group accounted for approximately 48.9% and 14.2% of the Group's aggregate purchases respectively.

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 ("**Award Shares**") during its term is limited to 20% of the total issued shares of the Company as at the adoption date of 18 April 2016 ("**Adoption Date**"). The maximum number of Awarded Shares that may be granted to any one selected employee shall not exceed 5% of the total issued shares of the Company as at the Adoption Date. Pursuant to the Share Award Scheme, shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Stock Exchange, by the trustee ("**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 2020, no new shares were subscribed by the Trustee, no shares of the Company were acquired by the Trustee pursuant to the rules and trust deed of the Share Award Scheme, no shares were granted to selected employee(s), and 2,202,000 shares were vested under the Share Award Scheme. Accordingly, since the Adoption Date and up to 31 December 2020, there were 1,295,000 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 9.96% 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 after 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 be issued upon exercise of the options granted under the Share Option Scheme to 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 5 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. ZHU Wenjun

Non-Executive Director

Mr. DAI Jianchun *(resigned on 24 June 2020)*

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. CHAI Chaoming and Ms. LU Hong 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 2020, 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)*	–	32.56%
	Interest of a controlled corporation/ corporate interest	13,213,000 *(Note 3)*	–	1.62%
	Beneficial owner/personal Interest	400,000	100,000 *(Note 4)*	0.06%
HU Minglie	Beneficial owner/personal Interest	3,103,000	500,000 *(Note 4)*	0.44%
CHAI Chaoming	Beneficial owner/personal Interest	284,000	50,000 *(Note 4)*	0.04%
LU Hong	Beneficial owner/personal Interest	350,000	50,000 *(Note 4)*	0.05%
ZHU Wenjun	Beneficial owner/personal interest	400,000	100,000 *(Note 4)*	0.06%
LOU Dong	Beneficial owner/personal interest	150,000	50,000 *(Note 4)*	0.02%

Notes:

1. The percentages are calculated based on the total issued shares of 814,558,173 as at 31 December 2020.

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 held 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 and second tranchs were vested on 13 December 2017 and 18 December 2020, and the rest will be vested on 13 December 2021. 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 2020, 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.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, 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)	–	13.50%
Come Fortune International Limited	Beneficial owner/Beneficial interest	155,200,000 (L)	–	19.05%
Dynamic Empire Holdings Limited *(Note 2)*	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	32.56%
Nomura Holdings Inc. *(Note 2)*	Interest of a controlled corporation/Corporate interest	239,400,000 (L)	–	29.39%
Zedra Trust Company (Singapore) Limited *(Note 2)*	Trustee (other than a bare trustee)/Other Interest	265,200,000 (L)	–	32.56%
Zedra Malta Limited *(Note 3)*	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	32.56%
Zedra Holding SA *(Note 3)*	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	32.56%
Zedra SA *(Note 3)*	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	32.56%
YU Yuesu *(Note 4)*	Interest of spouse/Family interest	278,813,000 (L)	100,000 (L)	34.24%
bostone Group Limited *(Note 5)*	Beneficial owner/Beneficial interest	164,812,000 (L)	–	20.23%
Xie Shicai *(Note 5)*	Interest of a controlled corporation/Corporate interest	171,133,000 (L)	–	21.01%
Ma Jiafeng *(Note 5)*	Interest of a controlled corporation/Corporate interest	171,133,000 (L)	–	21.01%

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 814,558,173 as at 31 December 2020.

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. As per the notifications filed by Ms. Ma Jiafeng ("**Ms. Ma**") and Mr. Xie Shicai ("**Mr. Xie**") respectively on 8 December 2020, these 171,133,000 shares comprises (i) 164,812,000 shares held by bostone Group Limited, which in turn beneficially owned by Ms. Ma as to 65.67% and by Mr. Xie as to 34.33% respectively; and (ii) 6,321,000 shares held by Hong Kong Nes International New Energy Limited, which in turn beneficially owned by Mr. Xie as to 34.93%. Both Ms. Ma and Mr. Xie are deemed to be interested in the above shares by virtue of the SFO. To the best knowledge of the Directors, Mr. Xie is the ultimate controlling shareholder of Ningbo Boway Alloy Materials Company Limited, a listed company in Shanghai Stock Exchange (Stock Code: 601137.SH). Ms. Ma is the spouse of Mr. Xie. 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.

Save as disclosed herein, as at 31 December 2020, so far as the Directors are aware, there were no other persons, 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.

REPORT OF THE DIRECTORS

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 the Hefei Structured Contracts (as defined below), 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 Hefei 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 Hefei 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 until 22 September 2020.

The Hefei Structured Contracts were amended and restated on 5 June 2020 to replace Mr. REN Hao, who was the registered owner of 1% of the equity interest of Hefei Yueyou ("**Ren's Exit**"), with Mr. YANG Lijiao ("**Mr. Yang**").

Whilst following Mr. Ren's Exit, Mr. Ren ceased to hold interest in the Hefei Structured Contracts, the continuing connected transactions thereunder are 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 Hefei Structured Contracts. In the event that the Hefei Structured Contracts are further 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

Completion of the off-exchange Share Buy-back took place on 16 April 2020 and the 41,000,000 shares of the Company were cancelled by the Company on 17 April 2020. The aggregate consideration (before expenses) for the Share Buy-back was HKD32.8 million. Details of the Share Buy-back are set out in the Company's announcements dated 23 January 2020, 9 March 2020 and 16 April 2020 and the Company's circular dated 13 February 2020. Except for the Share Buy-back, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2020.

STRUCTURED CONTRACTS

On 1 July 2016, Hefei Yueyou, Mr. REN Hao and Mr. LI Zhe ("**Mr. Li**", an Independent Third Party) (collectively the "**Hefei 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) Hefei VIE equity owners' commitment letter (承諾函) and (vii) spouse consent letter (配偶同意函) (collectively the "**Hefei Structured Contracts**") by the Hefei VIE Equity Owners and spouses thereof to enable the financial results, the entire economic benefits and the risks of the businesses of Hefei OPCO to flow into Hefei Yueyou and to enable Hefei Yueyou to gain management control over the operation of Hefei OPCO. The Hefei Structured Contracts were amended and restated on 5 June 2020 to replace Mr. REN Hao, who was the registered owner of 1% of the equity interest of Hefei Yueyou, with Mr. Yang.

On 22 July 2020, Ningbo Longao Network Technology Co., Ltd. (寧波龍傲網路科技有限公司) ("**Ningbo Longao**"), Ningbo Longhui Network Technology Co., Ltd. (寧波龍輝網路科技有限公司) ("**Ningbo OPCO**"), Mr. Yang and Mr. ZHU Yangxiao (Mr. Yang and Mr. ZHU Yangxiao collectively as the "**Ningbo VIE Equity Owners**", together with the Hefei VIE Equity Owners, the "**VIE Equity Owners**") and spouses thereof 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 agreements (股權質押協議) and (v) power of attorney ancillary to the foregoing (授權委託書), (vi) Ningbo VIE Equity Owners' commitment letters (承諾函) and (vii) spouse consent letter (配偶同意函) (collectively the "**Ningbo Structured Contracts**", together with the Hefei Structured Contracts, the "**Structured Contracts**") to enable the financial results, the entire economic benefits and the risks of the businesses of Ningbo OPCO to flow into Ningbo Longao and to enable Ningbo Longao to gain management control over the operation of Ningbo OPCO.

Hefei Yueyou, Shenzhen Zhangyue Network Technology Co., Ltd. (深圳掌悅網絡科技有限公司), a wholly-owned subsidiary of the Hefei OPCO (the "**Hefei OPCO Subsidiary**"), Ningbo Longao and Ningbo OPCO (collectively the "**PRC Operating Entities**") are principally engaged in the development and operation of internet and mobile gaming products. The registered owners of Hefei OPCO are Mr. Li and Mr. Yang who beneficially owns 99% and 1% of the equity interest of Hefei OPCO respectively. Hefei Yueyou and Ningbao Longao are indirectly wholly-owned subsidiaries of Funnytime which had been acquired by Xingye Investment Holdings Limited, a wholly-owned subsidiary of the Company, following the completion of the acquisition of Funnytime 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. The registered owners of Ningbo OPCO are Mr. Yang and Mr. ZHU Yangxiao who beneficially owns 99% and 1% of the equity interest of Ningbo OPCO respectively.

Pursuant to the Structured Contracts, Hefei Yueyou and Ningbo Longao shall, among others, respectively, (i) provide Hefei OPCO and Ningbo 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 turn enable Hefei Yueyou and Ningbo Longao 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 and Ningbo Longao, at Hefei Yueyou and Ningbo Longao's discretion; (ii) act as agents of the VIE Equity Owners to attend the shareholders' meetings of Hefei OPCO and Ningbo OPCO which enable Hefei Yueyou and Ningbo Longao 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 and Ningbo Longao specify 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 Ningbo Longao 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, Soul Dargon Limited, Hefei Yueyou, Ningbo Longao, and the PRC Operating Entities (collectively the "**Funnytime Group**") were consolidated by the Company since the acquisition date. For the year ended 31 December 2020, the revenue, net loss and total assets contributed by the Funnytime Group to the Group amounted to respectively RMB15.2 million, RMB6.9 million and RMB58.3 million, of which Ningbo Longao and Ningbo OPCO recorded nil revenue and net loss of RMB22 thousand with RMB24.0 million in total assets, as they were newly incorporated and have not commenced operations for the year ended 31 December 2020.

Reasons for using the Structured Contracts

The Hefei OPCO, Hefei OPCO Subsidiary and Ningbo OPCO 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, Ningbo Longao, Hefei OPCO, Ningbo 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 respectively the Hefei OPCO and Ningbo OPCO to flow into Hefei Yueyou and Ningbo Longao, and also to enable Hefei Yueyou and Ningbo Longao to gain management control over the operation of Hefei OPCO, Hefei OPCO Subsidiary and Ningbo OPCO.

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 an as-needed 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 Ningbo 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 and Ningbo OPCO for review, along with other internal control measures as detailed in the announcement of the Company dated 21 June 2016 in relation to Hefei OPCO (the "**Acquisition Announcement**").

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

Save for the Ren's Exit as disclosed above, for the year ended 31 December 2020, 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.

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 2020. 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 currently comprises three independent non-executive Directors, namely, Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong. The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2020 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 2020 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
Xingye Alloy Materials Group Limited
HU Minglie
Chief Executive Officer and Executive Director

Hong Kong, 31 March 2021

BIOGRAPHICAL DETAILS OF THE DIRECTORS

EXECUTIVE DIRECTORS

Mr. HU Changyuan, aged 72, 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 39, 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 39, 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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAI Chaoming, aged 51. 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 was 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 and his appointment ceased on 2 March 2021.

Dr. LOU Dong, aged 39, is an independent non-executive Director of the Company since August 2015. He is also the chairman of Remuneration Committee and a member of Audit Committee and 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 to the shareholders of
Xingye Alloy Materials Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Xingye Alloy Materials Group Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 121 to 212, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, 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

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.

How the matter was addressed in our audit

- 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 sales rebates, comparing our calculations with those of the Group and assessing whether the sales rebates had been completely and accurately recognised in the appropriate financial period;

- inspecting samples of credit invoices and returned goods delivery notes issued in December 2020 and January 2021 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.

INDEPENDENT AUDITOR'S REPORT

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, actions taken to eliminate threats or safeguards applied.

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 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 *RMB'000*	2019 *RMB'000*
Revenue	*4(a)*	**4,534,947**	4,253,075
Cost of sales		**(3,998,052)**	(3,851,268)
Gross profit		**536,895**	401,807
Other income	*5*	**25,045**	21,469
Distribution expenses		**(42,604)**	(46,336)
Administrative expenses		**(242,173)**	(234,451)
Other expenses	*6*	**(107,326)**	(36,334)
Profit from operations		**169,837**	106,155
Finance income		**34,647**	7,512
Finance costs		**(29,957)**	(38,210)
Net finance income/(costs)	*7(a)*	**4,690**	(30,698)
Profit before taxation		**174,527**	75,457
Income tax	*8*	**(23,452)**	(15,275)
Profit for the year		**151,075**	60,182
Attributable to:			
Equity shareholders of the Company		**150,832**	59,262
Non-controlling interests		**243**	920
Profit for the year		**151,075**	60,182
Earnings per share	*12*		
Basic (RMB)		**0.18**	0.07
Diluted (RMB)		**0.18**	0.07

The notes on pages 129 to 212 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 2020

(Expressed in RMB)

	Note	2020 *RMB'000*	2019 *RMB'000*
Profit for the year		**151,075**	60,182
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		**(1,069)**	949
Other comprehensive income for the year		**(1,069)**	949
Total comprehensive income for the year		**150,006**	61,131
Attributable to:			
Equity shareholders of the Company		**149,763**	60,211
Non-controlling interests		**243**	920
Total comprehensive income for the year		**150,006**	61,131

The notes on pages 129 to 212 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	13	817,625	885,206
Right-of-use assets	14	71,110	74,440
Intangible assets	15	–	1,382
Deposits for acquisition of property, plant and equipment		2,075	1,224
Other non-current assets		7,490	7,490
Deferred tax assets	8(d)	26,290	33,625
		924,590	1,003,367
Current assets			
Inventories	17	943,668	697,284
Trade and other receivables	18	441,184	386,875
Derivative financial instruments	19	–	565
Structured bank deposits	20	5,000	20,118
Restricted bank deposits	21	279,320	221,490
Bank deposits with original maturity over three months		138,150	60,000
Cash and cash equivalents	22	223,300	163,150
		2,030,622	1,549,482
Current liabilities			
Derivative financial instruments	19	21,672	7,775
Interest-bearing borrowings	23	828,385	768,941
Trade and other payables	24	725,619	521,515
Lease liabilities	25	1,146	1,040
Income tax payable		15,298	19,369
		1,592,120	1,318,640
Net current assets		438,502	230,842
Total assets less current liabilities		1,363,092	1,234,209

The notes on pages 129 to 212 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Interest-bearing borrowings	*23*	**88,790**	77,000
Lease liabilities	*25*	**3,024**	700
Deferred income	*26*	**38,721**	41,818
Deferred tax liabilities	*8(d)*	**1,500**	1,846
		132,035	121,364
NET ASSETS		**1,231,057**	1,112,845
CAPITAL AND RESERVES			
Share capital	*27(b)*	**73,676**	77,417
Reserves		**1,155,221**	1,033,511
Total equity attributable to equity shareholders of the Company		**1,228,897**	1,110,928
Non-controlling interests		**2,160**	1,917
TOTAL EQUITY		**1,231,057**	1,112,845

Approved and authorised for issue by the board of directors on 31 March 2021.

Hu Minglie

Directors

Zhu Wenjun

The notes on pages 129 to 212 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(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 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

The notes on pages 129 to 212 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company										
		Share capital	Share premium	Capital reserve	PRC statutory reserve	Translation reserve	Treasury shares held for Share Award Scheme	Share-based compensation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020		77,417	322,514	258,060	85,320	(16,561)	(2,523)	3,348	383,353	1,110,928	1,917	1,112,845
Profit for the year		–	–	–	–	–	–	–	150,832	150,832	243	151,075
Other comprehensive income		–	–	–	–	(1,069)	–	–	–	(1,069)	–	(1,069)
Total comprehensive income		–	–	–	–	(1,069)	–	–	150,832	149,763	243	150,006
Share Award Scheme:												
– Shares vested from the share award scheme and transferred to grantees	*29(c)*	–	–	–	–	–	1,589	(1,668)	79	–	–	–
Buy-back and cancellation of shares for contingent consideration	*27(b)*	(3,741)	(28,053)	–	–	–	–	–	–	(31,794)	–	(31,794)
Disposal of interest in a subsidiary	*22(c)*	–	–	–	(1,541)	–	–	–	1,541	–	–	–
At 31 December 2020		73,676	294,461	258,060	83,779	(17,630)	(934)	1,680	535,805	1,228,897	2,160	1,231,057

The notes on pages 129 to 212 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(Expressed in RMB)

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Profit for the year	151,075	60,182
Adjustment for:		
Depreciation of property, plant and equipment	100,313	105,000
Depreciation for right-of-use assets	2,370	2,202
Amortisation of intangible assets	499	612
Impairment losses on property, plant and equipment	1,248	–
Impairment losses on trade and other receivables	2,845	7,775
Impairment losses on goodwill	–	28,289
Impairment loss on intangible assets	883	–
Losses on disposal of property, plant and equipment	241	206
Gains on disposal of property, plant and equipment	(1,208)	(209)
Gains on disposal of right-of-use assets	(81)	–
Net finance (income)/costs	(4,690)	30,698
Equity-settled share-based payment transactions	–	829
Unrealised fair value change on derivative financial instruments	14,462	7,877
Gains on disposal of interests in subsidiaries	(11)	–
Income tax expense	23,452	15,275
Amortisation of deferred income	(5,993)	(5,875)
	285,405	252,861
Changes in working capital:		
Inventories	(246,845)	(26,957)
Trade and other receivables	(109,532)	(5,326)
Trade and other payables	109,197	44,701
Cash generated from operations	38,225	265,279
Interest paid	(31,382)	(34,515)
Income tax paid	(20,534)	(27,094)
Net cash (used in)/generated from operating activities	(13,691)	203,670

The notes on pages 129 to 212 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 *RMB'000*	2019 *RMB'000*
Cash flows from investing activities			
Interest received		**8,776**	3,305
Proceeds from disposal of property, plant and equipment		**1,405**	100
Payment for purchase of structured bank deposits		**(85,000)**	(720,000)
Proceeds from maturity of structured bank deposits		**100,808**	700,437
Changes in guarantee deposits and bank deposits with maturity over three months		**(7,049)**	(127,178)
Net proceeds from disposal of subsidiaries	*22(c)*	**29,912**	–
Acquisition of property, plant and equipment, net of deposits placed in previous years		**(61,184)**	(52,316)
Acquisition of right-of-use assets		**(248)**	(61,944)
Placement of land deposits		**–**	(10,700)
Withdrawal of land deposits		**–**	3,210
Deposits for acquisition of property, plant and equipment		**(1,763)**	(715)
Net cash used in investing activities		**(14,343)**	(265,801)
Cash flows from financing activities			
Repayment of interest-bearing borrowings	*22(a)*	**(1,464,355)**	(1,192,359)
Proceeds from interest-bearing borrowings	*22(a)*	**1,556,353**	1,268,733
Capital element of lease rentals paid	*22(a)*	**(762)**	(967)
Interest element of lease rentals paid	*22(a)*	**(78)**	–
Payment for purchase of shares in connection with Share Award Scheme	*29(c)*	**–**	(359)
Dividends paid to non-controlling shareholders		**–**	(1,820)
Acquisition of non-controlling interests	*27(c)*	**–**	(21,300)
Net cash generated from financing activities		**91,158**	51,928
Net increase/(decrease) in cash and cash equivalents		**63,124**	(10,203)
Cash and cash equivalents at 1 January		**163,150**	175,950
Effect of movements in exchange rates on cash held		**(2,974)**	(2,597)
Cash and cash equivalents at 31 December		**223,300**	163,150

The notes on pages 129 to 212 form part of these financial statements.

1 REPORTING ENTITY AND BACKGROUND INFORMATION

Xingye Alloy Materials Group Limited (the "**Company**", formerly known as "Huan Yue Interactive Holdings Limited") 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 2020 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.

Pursuant to a special resolution passed by the shareholders of the Company on 19 June 2020, the issuance of a Certificate of Incorporation on Change of Name by the Registrar of Companies in the Cayman Islands on 19 June 2020 and the issuance of a Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company by the Registrar of Companies in Hong Kong on 14 July 2020, the English name of the Company was changed from "Huan Yue Interactive Holdings Limited" to "Xingye Alloy Materials Group Limited" and the dual foreign name in Chinese of the Company was changed from "歡悅互娛控股有限公司" to "興業合金材料集團有限公司".

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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)).

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 the following amendments to IFRSs that are first effective for the current accounting period of the Group.

- Amendments to References to the Conceptual Framework in IFRS Standards

- Amendment to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*

- Amendment to IFRS 3, *Definition of a Business*

- Amendment to IAS 1 and IAS 8, *Definition of Material*

- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

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.

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 thousand, 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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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)).

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Intangible assets (other than goodwill) (Continued)

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.

(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.

As a lessee

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)

As a lessee (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	50 years
– Leased offices	2 – 4.3 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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs

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

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

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

ECLs are measured on either of the following bases:

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

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

Loss allowances for trade 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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

– 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).

– 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.

(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)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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)).

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax

Income tax for the year comprises current tax and movements 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 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

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.

(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:

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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:

	2020	2019
	RMB'000	*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	**4,229,326**	3,963,982
– Processing service fees	**206,912**	208,967
– Trading of raw materials	**83,483**	53,448
	4,519,721	4,226,397
Online games related:		
– Publishing and operating online games	**13,077**	23,775
– Others	**2,149**	2,903
	15,226	26,678
	4,534,947	4,253,075

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 2020 and 2019.

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 2020 and 2019 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	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	**4,519,721**	4,226,397	**–**	–	**4,519,721**	4,226,397
Overtime	**–**	–	**15,226**	26,678	**15,226**	26,678
Revenue from external customers	**4,519,721**	4,226,397	**15,226**	26,678	**4,534,947**	4,253,075
Inter-segment revenue	**222**	616	**–**	–	**222**	616
Reportable segment revenue	**4,519,943**	4,227,013	**15,226**	26,678	**4,535,169**	4,253,691
Reportable segment profit/(loss) before taxation	**170,171**	105,132	**(5,482)**	(26,572)	**164,689**	78,560
Interest income from bank deposits	**14,266**	6,746	**131**	211	**14,397**	6,957
Net interest expenses	**(29,241)**	(33,089)	**(64)**	(121)	**(29,305)**	(33,210)
Depreciation and amortisation	**(101,885)**	(106,208)	**(1,297)**	(1,606)	**(103,182)**	(107,814)
Impairment loss of goodwill	**–**	–	**–**	(28,289)	**–**	(28,289)
Impairment loss of property, plant and equipment	**(1,248)**	–	**–**	–	**(1,248)**	–
Impairment loss of intangible assets	**–**	–	**(883)**	–	**(883)**	–
Reportable segment assets	**2,898,925**	2,459,845	**57,771**	67,810	**2,956,696**	2,527,655
Additions to non-current segment assets during the year	**57,057**	142,782	**3,542**	78	**60,599**	142,860
Reportable segment liabilities	**1,709,413**	1,418,538	**16,226**	19,410	**1,725,639**	1,437,948

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2020 *RMB'000*	2019 *RMB'000*
Revenue		
Reportable segment revenue	4,535,169	4,253,691
Elimination of inter-segment revenue	(222)	(616)
Consolidated revenue *(note 4(a))*	4,534,947	4,253,075

	2020 *RMB'000*	2019 *RMB'000*
Profit before taxation		
Reportable segment profit	164,689	78,560
Changes in fair values of contingent consideration receivables and contingent consideration payables	9,838	(3,103)
Consolidated profit before taxation	174,527	75,457

(iii) Reconciliations of reportable segment assets and liabilities

	2020 *RMB'000*	2019 *RMB'000*
Assets		
Reportable segment assets	2,956,696	2,527,655
Elimination of inter-segment receivables	(1,484)	(1,570)
Unallocated corporate assets	–	26,764
Consolidated total assets	2,955,212	2,552,849

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2020 *RMB'000*	2019 *RMB'000*
Liabilities		
Reportable segment liabilities	1,725,639	1,437,948
Elimination of inter-segment payables	(1,484)	(1,570)
Unallocated corporate liabilities	–	3,626
Consolidated total liabilities	1,724,155	1,440,004

(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.

	2020 *RMB'000*	2019 *RMB'000*
Revenue		
Mainland China	4,140,859	3,822,499
Taiwan, China	104,873	67,412
Hong Kong, China	54,709	59,675
India	49,877	48,350
Bangladesh	46,087	56,979
Thailand	28,339	80,731
Singapore	4,752	9,366
Other countries	105,451	108,063
	4,534,947	4,253,075

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

	2020	2019
	RMB'000	*RMB'000*
Government grants	**16,178**	14,405
Gains on disposal of interests in subsidiaries	**11**	–
Net gains on derivative financial instruments	**–**	5,418
Gains on write off of trade payables	**785**	–
Gains on disposal of property, plant and equipment	**1,208**	209
Gains on disposal of right-of-use assets	**81**	–
Others	**6,782**	1,437
	25,045	21,469

Government grants represent unconditional government grants of RMB10,185,000 (2019: RMB8,530,000) 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 RMB5,993,000 during the year ended 31 December 2020 (2019: RMB5,875,000) (note 26).

6 OTHER EXPENSES

	2020	2019
	RMB'000	*RMB'000*
Impairment losses on goodwill *(note 16)*	**–**	28,289
Impairment losses on property, plant and equipment	**1,248**	–
Impairment losses on intangible assets	**883**	–
Credit loss allowance on trade and other receivables *(note 30(a))*	**2,845**	7,775
Losses on disposal of property, plant and equipment	**241**	206
Net losses on derivative financial instruments	**101,786**	–
Others	**323**	64
	107,326	36,334

7 PROFIT BEFORE TAXATION

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

(a) Net finance income/(costs)

	2020	2019
	RMB'000	*RMB'000*
Interest income on bank deposits	**14,397**	6,957
Changes in fair values of contingent consideration receivables and contingent consideration payables *(note 24(iii))*	**9,838**	–
Net foreign exchange gains	**9,722**	–
Gains from structured bank deposits	**690**	555
Finance income	**34,647**	7,512
Interest expenses on interest-bearing borrowings	**(29,227)**	(35,920)
Interest on lease liabilities *(note 14)*	**(78)**	(105)
Less: interest expenses capitalised	**–**	2,815
Net interest expenses recognised in profit or loss	**(29,305)**	(33,210)
Changes in fair values of contingent consideration receivables and contingent consideration payables *(note 24(iii))*	**–**	(3,103)
Net foreign exchange losses	**–**	(1,191)
Losses from foreign exchange forward contracts	**(652)**	(706)
Finance costs	**(29,957)**	(38,210)
Net finance income/(costs)	**4,690**	(30,698)

7 PROFIT BEFORE TAXATION (Continued)

(b) Personnel costs

	2020 *RMB'000*	2019 *RMB'000*
Salaries, wages and other benefits	165,567	148,464
Contributions to defined contribution plan	1,541	6,205
	167,108	154,669

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

	2020 *RMB'000*	2019 *RMB'000*
Cost of inventories*	**3,992,690**	3,844,996
Depreciation		
– Property, plant and equipment *(note 13)*	**100,313**	105,000
– Right-of-use assets *(note 14)*	**2,370**	2,202
Amortisation		
– Intangible assets *(note 15)*	**499**	612
Impairment losses on		
– Goodwill	**–**	28,289
– Trade and other receivables	**2,845**	7,775
– Property, plant and equipment	**1,248**	–
– Intangible assets	**883**	–
Research and development expenditure		
(included in administrative expenses)	**133,210**	134,087
Auditor's remuneration-audit services	**2,330**	2,300

* Cost of inventories includes RMB126,563,000 (2019: RMB129,106,000) 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.

8 INCOME TAXES

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

	2020 RMB'000	2019 RMB'000
Current tax		
Provision for the year	24,936	29,398
Over-provision in respect of prior year	(8,473)	(8,847)
	16,463	20,551
Deferred tax		
Origination and reversal of temporary differences	6,989	(5,762)
PRC withholding tax	–	486
	23,452	15,275

(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% (2019: 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 2020, 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 2020, 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 (2019: RMB1,500,000) 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 2020.

8 INCOME TAXES (Continued)

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

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**174,527**	75,457
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	**40,165**	28,559
Tax effect of unused tax losses and other temporary differences not recognised as deferred tax assets	**1,811**	1,768
Tax effect of utilisation of tax losses not recognised as deferred tax assets in prior years	**(242)**	(316)
Withholding tax on profits retained by PRC subsidiaries	**–**	486
Effect of tax concessions	**(780)**	(999)
Over-provision in prior year	**(8,473)**	(8,847)
Additional deduction for qualified research and development expenses *(Note)*	**(10,736)**	(7,264)
Tax effect of non-deductible expenses	**1,707**	1,888
Actual tax expense	**23,452**	15,275

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	Changes 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 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 and 1 January 2020	13,240	3,663	6,789	1,803	4,278	(1,500)	(346)	3,852	31,779
Credited/(charged) to profit or loss	(4,486)	(773)	(5,060)	3,615	188	–	346	(819)	(6,989)
At 31 December 2020	8,754	2,890	1,729	5,418	4,466	(1,500)	–	3,033	24,790

8 INCOME TAXES (Continued)

(d) Reconciliation to consolidated statement of financial position

	2020 *RMB'000*	2019 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**26,290**	33,625
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,500)**	(1,846)
	24,790	31,779

(e) Unrecognised deferred tax assets and liabilities

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

	2020 *RMB'000*	2019 *RMB'000*
Tax losses of subsidiaries (i)	**20,986**	23,453
Retained earnings of PRC subsidiaries not expected to be distributed outside of the PRC in the foreseeable future (ii)	**(331,177)**	(318,335)

(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 2020					
Name of directors	Director' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	Discretionary bonuses *RMB'000*	Equity-settled share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Hu Changyuan	–	573	–	–	–	573
Mr. Hu Minglie	–	1,226	1	1,779	–	3,006
Mr. Zhu Wenjun	–	1,081	6	–	–	1,087
Non-executive directors						
Mr.Dai Jianchun (resigned on 24 June 2020)	213	–	–	–	–	213
Independent non-executive directors						
Mr. Chai Chaoming	100	–	–	–	–	100
Dr. Lou Dong	100	–	–	–	–	100
Ms. Lu Hong	100	–	–	–	–	100
	513	2,880	7	1,779	–	5,179

9 DIRECTORS' REMUNERATION (Continued)

	Year ended 31 December 2019					
Name of directors	Director' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	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
Dr. Lou Dong	102	–	–	–	17	119
Ms. Lu Hong	102	–	–	–	17	119
	729	3,248	43	–	333	4,353

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 (2019: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two (2019: two) individuals are as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,510**	1,589
Equity-settled share-based payments	**–**	34
Retirement scheme contributions	**–**	12
	1,510	1,635

The emoluments of the two (2019: two) individuals with the highest emoluments are within the following bands:

RMB'000	**2020 Number of individuals**	2019 Number of individuals
Nil – 1,000	**2**	2

11 OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income

	2020			2019		
	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	(1,069)	–	(1,069)	949	–	949
Other comprehensive income	(1,069)	–	(1,069)	949	–	949

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 RMB150,832,000 (2019: RMB59,262,000) and the weighted average number of 823,188,943 ordinary shares (2019: 852,445,617) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
Ordinary shares in issue at 1 January	852,061,173	852,850,173
Effect of shares vested/purchased under Share Award Scheme (*note 29(c)*)	108,592	(404,556)
Effect of contingent consideration shares buy-back and cancelled	(28,980,822)	–
Weighted average number of ordinary shares in issue at 31 December	823,188,943	852,445,617

12 BASIC AND DILUTED EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

As at 31 December 2020, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB150,832,000 (2019: RMB59,262,000) and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares amounting to 825,000,479 (2019: 852,445,617) ordinary shares.

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.

Weighted average number of ordinary shares (diluted)

	2020	2019
Weighted average number of ordinary shares at 31 December (basic)	**823,188,943**	852,445,617
Effect of Share Award Scheme *(note 29(c))*	**1,811,536**	–
Weighted average number of ordinary shares at 31 December (diluted)	**825,000,479**	852,445,617

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 2019	239,967	1,422,056	23,216	9,863	61,120	1,756,222
Additions	–	782	419	975	70,997	73,173
Transfers 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
Additions	371	1,966	769	–	52,931	56,037
Transfers from construction in progress	1,664	63,509	18	–	(65,191)	–
Disposal of a subsidiary	(29,221)	(65,425)	(876)	–	–	(95,522)
Disposals	–	(4,186)	(107)	(909)	–	(5,202)
At 31 December 2020	219,938	1,460,913	25,068	9,525	68,337	1,783,781
Accumulated depreciation and impairment losses						
At 1 January 2019	(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)
Charge for the year	(7,256)	(90,286)	(1,703)	(1,068)	–	(100,313)
Impairment losses	(1,248)	–	–	–	–	(1,248)
Disposal of a subsidiary	16,378	59,412	813	–	–	76,603
Disposals	–	1,235	98	731	–	2,064
At 31 December 2020	(79,940)	(861,315)	(18,262)	(6,639)	–	(966,156)
Net book value						
At 31 December 2020	139,998	599,598	6,806	2,886	68,337	817,625
At 31 December 2019	159,310	633,373	7,794	4,132	80,597	885,206

(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 RMB221,866,000 (2019: RMB358,135,000) were pledged as security for bank loans at 31 December 2020 (see note 23(iii)).

(iii) As at 31 December 2020, the Group was in the process of applying for the title certificates for certain of its properties with an aggregate carrying value of RMB15,293,000 (2019: RMB16,236,000). The Directors of the Company are of the opinion that the Group is entitled to lawfully occupy and use the above mentioned properties.

Impairment losses

For the year ended 31 December 2020, as a result of an impairment review, the carrying amounts of certain land and buildings exceeded their recoverable amounts. Accordingly, impairment losses of RMB1,248,000 were recognised. No impairment loss was recognised for the year ended 31 December 2019.

14 RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Leased offices *RMB'000*	Vehicles *RMB'000*	Total *RMB'000*
Cost				
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
Additions	–	3,637	925	4,562
Disposal of a subsidiary	(5,959)	–	–	(5,959)
Disposals	–	(2,707)	–	(2,707)
At 31 December 2020	72,172	3,637	925	76,734
Accumulated depreciation				
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)
Charge for the year	(1,511)	(801)	(58)	(2,370)
Disposal of a subsidiary	1,478	–	–	1,478
Disposals	–	1,666	–	1,666
At 31 December 2020	(5,386)	(180)	(58)	(5,624)
Net book value				
At 31 December 2020	66,786	3,457	867	71,110
At 31 December 2019	72,778	1,662	–	74,440

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 2020	31 December 2019
	RMB'000	*RMB'000*
Leasehold land in PRC, carried at depreciated cost	**66,786**	72,778
Leased offices, carried at depreciated cost	**3,457**	1,662
Leased vehicles, carried at depreciated cost	**867**	–
	71,110	74,440

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

	2020	2019
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold lands	**1,511**	1,157
Leased offices	**801**	1,045
Leased vehicles	**58**	–
	2,370	2,202
Interest on lease liabilities *(note 7(a))*	**78**	105
Expense relating to short-term leases	**737**	21
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**33**	11
COVID-19-related rent concessions received	**(19)**	–

During the year, additions to right-of-use assets were RMB4,562,000 (2019: RMB62,197,000). This amount related to capitalised lease payments payable under new tenancy agreements, relating to leased offices and leased vehicles with an initial period of 2-4.3 years.

Details of total cash outflows 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 RMB66,786,000 (2019: RMB7,119,000) were pledged as security for bank loans at 31 December 2020 (see note 23 (iii)).

15 INTANGIBLE ASSETS

	Exclusive rights for operation of online games *RMB'000*	Non-compete agreement *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2019, 31 December 2019 and 31 December 2020	6,800	2,700	9,500
Accumulated amortisation and impairment loss			
At 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)
Charge for the year	–	(499)	(499)
Impairment losses	–	(883)	(883)
At 31 December 2020	(6,800)	(2,700)	(9,500)
Net book value			
At 31 December 2020	–	–	–
At 31 December 2019	–	1,382	1,382

The amortisation charge for the year is included in "cost of sales" in the consolidated statement of profit or loss.

For the year ended 31 December 2020, as a result of an impairment review, the carrying amount of certain intangible asset exceeded their recoverable amount. Accordingly, impairment losses of RMB883,000 were recognised.

16 GOODWILL

	RMB'000
Cost	
At 1 January 2019, 31 December 2019 and 31 December 2020	138,153
Accumulated impairment loss	
At 1 January 2019	(109,864)
Impairment loss	(28,289)
At 31 December 2019, 1 January 2020 and 31 December 2020	(138,153)
Net book value	
At 31 December 2019 and 31 December 2020	–

Impairment tests for cash-generating units containing goodwill

The recoverable amount of a cash-generating unit ("**CGU**") is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are as follows:

	2019 *RMB'000*
Pre-tax discount rate	37.5%
Long-term revenue growth rate	0%
Revenue growth rates over next five years	(29.0%)-0%

During the year ended 31 December 2019, the 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%. The cash flows are discounted using a pre-tax discount rate of 37.5%. The discount rate used reflects specific risks relating to the relevant business. The revenue growth rates are based on past performance and expectations of market developments.

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.

17 INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**191,813**	72,656
Work in progress	**622,302**	480,754
Finished goods	**129,468**	143,341
Others	**85**	533
	943,668	697,284

Provisions of RMB7,386,000 (2019: RMB27,627,000) were made against those inventories with net realisable value lower than carrying value as at 31 December 2020. Except for the above, none of the inventories as at 31 December 2020 were carried at net realisable value (2019: Nil).

Certain inventories with aggregate carrying amount of RMB330,000,000 were pledged as security for bank loans at 31 December 2020 (2019: RMB303,000,000) (see note 23 (iii)).

18 TRADE AND OTHER RECEIVABLES

		2020	2019
	Note	***RMB'000***	*RMB'000*
Trade and bills receivable, net of credit loss allowance		**378,355**	326,451
Deposits for metal future contracts		**28,993**	2,839
Other debtors, net of credit loss allowance		**660**	8,414
Financial assets measured at amortised cost		**408,008**	337,704
VAT recoverable		**5,170**	11,962
Prepayments		**28,006**	10,445
Contingent consideration receivables	*24(iii)*	**–**	26,764
		441,184	386,875

18 TRADE AND OTHER RECEIVABLES (Continued)

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 2020, 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 RMB68,412,000 (2019: RMB45,178,000). 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:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**353,671**	306,160
Over 3 months but less than 6 months	**17,520**	18,589
Over 6 months but less than 1 year	**2,965**	1,393
Over 1 year	**4,199**	309
	378,355	326,451

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.

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 2020, the Group's bills receivables with aggregate carrying value of approximately RMB108,000,000 (2019: RMB107,070,000) were pledged to banks for issuance of bank acceptance bills.

19 DERIVATIVE FINANCIAL INSTRUMENTS

		2020	2019
	Note	***RMB'000***	*RMB'000*
Derivative financial assets			
Metal future contracts	*(i)*	**–**	565
Derivative financial liabilities			
Metal future contracts	*(i)*	**(21,672)**	(7,775)

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:

	2020	2019
Sales contracts		
Volume *(tonnes)*	7,600	4,850
Notional contract value *(RMB'000)*	375,782	201,760
Market value *(RMB'000)*	(397,454)	(209,535)
Fair value *(RMB'000)*	(21,672)	(7,775)
Purchase contracts		
Volume *(tonnes)*	–	475
Notional contract value *(RMB'000)*	–	(19,862)
Market value *(RMB'000)*	–	20,427
Fair value *(RMB'000)*	–	565
Total *(RMB'000)*	(21,672)	(7,210)
Contract maturity date	January, February, March and April 2021	January, February and March 2020

The market value of metal future contracts is based on quoted market prices at the reporting date. As at 31 December 2020, fair value of the outstanding commodity future contracts was RMB21,672,000 (2019: RMB7,210,000), and net realised and unrealised gains, in aggregate of RMB101,786,000 were recognised in other income (2019: RMB5,418,000) for the year ended 31 December 2020.

20 STRUCTURED BANK DEPOSITS

The structured bank deposits are wealth management products amounting to RMB5,000,000 (2019: RMB20,118,000) 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 US dollar-Canadian dollar exchange rate. 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 2020.

21 RESTRICTED BANK DEPOSITS

Restricted bank deposits represent:

	2020	2019
	RMB'000	*RMB'000*
Guarantee deposits for issuance of commercial bills	**277,320**	152,139
Guarantee deposits for bank borrowings	**–**	65,351
Others	**2,000**	4,000
	279,320	221,490

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 1 January 2020	845,941	1,740	847,681
Changes from financing cash flows:			
Proceeds from interest-bearing borrowings	1,556,353	–	1,556,353
Repayment of interest-bearing borrowings	(1,464,355)	–	(1,464,355)
Capital element of lease rentals paid	–	(762)	(762)
Interest element of lease rentals paid	–	(78)	(78)
Total changes from financing cash flows	91,998	(840)	91,158
Exchange adjustments	(5,002)	–	(5,002)
Other non-cash changes:			
Derecognition of discounted bills	(16,951)	–	(16,951)
Increase in lease liabilities from entering into new leases during the year	–	4,314	4,314
Disposal of leases	–	(1,122)	(1,122)
Interest expenses	1,189	78	1,267
Total other non-cash changes	(15,762)	3,270	(12,492)
At 31 December 2020	917,175	4,170	921,345

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)*	Lease liabilities *RMB'000* *(Note 25)*	Total *RMB'000*
At 31 December 2018	774,023	–	774,023
Impact on initial application of IFRS 16	–	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

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:

	2020	2019
	RMB'000	*RMB'000*
Within operating cash flows	**78**	137
Within investing cash flows	**248**	61,944
Within financing cash flows	**762**	967
	1,088	63,048

These amounts relate to the following:

	2020	2019
	RMB'000	*RMB'000*
Lease rentals paid	**1,088**	1,104
Prepayment for leasehold land	**–**	61,944
	1,088	63,048

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(c) Disposal of subsidiaries

On 5 June 2020, the Group disposed of 100% interest in its subsidiary named Shenzhen Duohao Network Technology Co., Ltd. ("**Duohao**") to an individual at a total consideration of RMB1. Also, on 7 July 2020, the Group disposed of 100% interest in its subsidiary named Yingtan Xingye Electronic Metal Materials Co., Ltd. ("**Yingtan Xingye**") to a third party at a total consideration of RMB30,250,000.

Analysis of assets and liabilities at the date of disposal over which control was lost:

	Carrying Amount *RMB'000*
Property, plant and equipment	18,918
Right-of-use assets	4,481
Inventories	460
Trade and other receivables	6,204
Cash and cash equivalents	338
Trade and other payables	(162)
Net assets disposed of	30,239

Gains on disposal of subsidiaries:

	RMB'000
Consideration received	30,250
Net assets disposed of	(30,239)
Gains on disposal of subsidiaries	11

Analysis of net cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Consideration received in cash	30,250
Less: cash and cash equivalents disposed of	(338)
Net proceeds from disposal of subsidiaries	29,912

23 INTEREST-BEARING BORROWINGS

At 31 December 2020, interest-bearing borrowings were repayable based on scheduled repayment dates set out in the underlying loan agreements as follows:

	2020	2019
	RMB'000	*RMB'000*
Current		
Short-term secured bank loans	**466,104**	447,751
Unsecured bank loans	**39,765**	36,739
Bank advances under discounted bills	**245,321**	238,951
Current portion of non-current secured bank loans	**77,195**	45,500
	828,385	768,941
Non-current		
Secured bank loans	**88,790**	77,000
	917,175	845,941

(i) The Group's interest-bearing borrowings were repayable as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**828,385**	768,941
Over 1 year but less than 2 years	**88,000**	77,000
Over 5 years	**790**	–
	88,790	77,000
	917,175	845,941

(ii) The Group's interest-bearing borrowings in the amount of RMB464,500,000 (2019: RMB322,500,000) are subject to the fulfilment of financial covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. As at and during the year ended 31 December 2020, 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 2020 bore interest at rates ranging from 0.47% to 4.75% (2019: 2.27% to 4.99%) per annum and were pledged by the following assets:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Carrying amounts of pledged assets:		
Inventories	330,000	303,000
Property, plant and equipment	221,866	358,135
Right-of-use assets	66,786	7,119
Guarantee deposits for bank borrowings	–	65,351
	618,652	733,605

(iv) Unsecured bank loans as at 31 December 2020 bore interest at rates ranging from 4.13% to 4.35% (2019: 2.79% to 2.86%) per annum.

24 TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade and bills payable (ii)	604,109	394,397
Staff benefits payable	43,573	38,973
Payables for purchase of property, plant and equipment	27,214	33,273
Accrued expenses and others	24,616	24,388
Financial liabilities measured at amortised cost	699,512	491,031
Contract liabilities (i)	26,107	26,858
Contingent consideration payables (iii)	–	3,626
	725,619	521,515

24 TRADE AND OTHER PAYABLES (Continued)

(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 RMB26,858,000 was recognised for the year ended 31 December 2020 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:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**531,573**	382,475
Over 3 months but within 6 months	**15,145**	7,228
Over 6 months but within 1 year	**48,664**	616
Over 1 year	**8,727**	4,078
	604,109	394,397

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

(iii) In connection with the acquisition of Funnytime Limited ("**Funnytime**") and its subsidiaries (collectively, the "**Target Group**") on 5 August 2016 ("**Acquisition Date**"), 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 Sale and Purchase Agreement (the "**SPA**"), given 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), Mobilefun Limited ("**Mobilefun**") shall pay to the Company the adjustment amount (the "**Adjustment Amount**") of cash consideration of HKD40,135,567 ("**contingent receivables**") and the Company shall issue to Mobilefun 6,424,734 shares ("**contingent payables**") in accordance with the price adjustment mechanism stipulated in the SPA.

On 23 January 2020, the Company, Xingye Investment Holdings Limited (a wholly-owned subsidiary of the Company) ("**Xingye**"), Mobilefun (the "**Guarantors**") entered into a settlement deed (the "**Settlement Deed**") with respect to the settlement of the contingent consideration receivables and contingent consideration payables, 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 41,000,000 shares held by Mobilefun at the buy-back price of HKD0.80 per share (the "**Share Buy-back**"); and (iii) Mobilefun 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.

On 16 April 2020, the Company completed the share buy-back transaction of 41,000,000 shares from Mobilefun and those 41,000,000 shares were cancelled by the Company on 17 April 2020. On 18 September 2020, the residual payment of HKD2,195,779.80 was settled.

Details of the Share Buy-back are set out in the Company's announcements dated 23 January 2020, 9 March 2020 and 16 April 2020 and the Company's circular dated 13 February 2020.

Gains on settlement of contingent receivables and payables of RMB9,838,000 was recognised in "Changes in fair value of contingent consideration receivables and contingent consideration payables" (note 7(a)) for the year ended 31 December 2020.

25 LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**1,146**	1,040
After 1 year but within 2 years	**1,102**	700
After 2 years but within 5 years	**1,922**	–
	3,024	700
	4,170	1,740

26 DEFERRED INCOME

	2020	2019
	RMB'000	*RMB'000*
Government grants	**38,721**	**41,818**

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

	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

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

The Company (Continued)

	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 2020		77,417	322,514	6,164	407,248	3,348	61,439	878,130
Changes in equity for 2020:								
Loss for the year		–	–	–	–	–	(6,947)	(6,947)
Other comprehensive income		–	–	(25,379)	–	–	–	(25,379)
Total comprehensive income		–	–	(25,379)	–	–	(6,947)	(32,326)
Share Award Scheme:								
– Vested shares transferred to grantees	27(c)	–	–	–	–	(1,668)	79	(1,589)
Buy-back and cancellation of shares for contingent consideration	27(b)	(3,741)	(28,053)	–	–	–	–	(31,794)
At 31 December 2020		73,676	294,461	(19,215)	407,248	1,680	54,571	812,421

(b) Share capital

Authorised

	2020		2019	
	Number of shares	Amount HKD'000	Number of shares	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

	2020			2019		
	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**	855,559	85,556	77,417
Buy-back and cancellation of shares for contingent consideration	**(41,000)**	**(4,097)**	**(3,741)**	–	–	–
At 31 December	**814,559**	**81,459**	**73,676**	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's gearing ratio at 31 December 2020 and 2019 was as follows:

	31 December 2020	31 December 2019
Gearing ratio	**36.23%**	38.13%

(d) Dividends

No final dividend was declared to equity shareholders of the Company for the year ended 31 December 2020 (2019: Nil).

28 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 *RMB'000*	2019 *RMB'000*
Non-current assets		
Investments in subsidiaries	**416,059**	449,440
Amounts due from subsidiaries	**–**	83,143
Interests in subsidiaries *(note 29)*	**416,059**	532,583
Current assets		
Amounts due from subsidiaries	**394,664**	340,338
Other receivables	**32**	16
Cash and cash equivalents	**2,078**	5,877
	396,774	346,231
Current liability		
Other payables	**412**	684
	412	684
Net current assets	**396,362**	345,547
Net assets	**812,421**	878,130
Capital and reserves		
Share capital *(note 27(b))*	**73,676**	77,417
Reserves	**738,745**	800,713
Total equity	**812,421**	878,130

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
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%	RMB8,285,250/ RMB8,285,250	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
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

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
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
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 Doubao Network Technology Co., Ltd. 深圳豆包網絡科技有限公司	The PRC, June 2018	–	100%	RMB20,000/ 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%	RMB100,000,000/ 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

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	Percentage of equity attributable to the Company Indirect	Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
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
Ningbo Longao Network Technology Co., Ltd. ("**Longao**") 寧波龍傲網絡科技有限公司	The PRC, June 2020	–	100%	RMB0/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Ningbo Longhui Network Technology Co., Ltd. 寧波龍輝網絡科技有限公司	The PRC, July 2020	–	100%	RMB0/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Shenzhen Longhun Network Technology Co., Ltd. 深圳龍魂網絡科技有限公司	The PRC, August 2020	–	100%	RMB1,000,000/ 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 is carried out through several domestic operating companies, incorporated in the PRC, namely Hefei Zhangyue Network Technology Co., Ltd., Shenzhen Zhangyue Network Technology Co., Ltd., Ningbo Longhui Network Technology Co.,Ltd. and Shenzhen Longhun 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, two wholly foreign owned enterprises, Yueyou and Longao, were incorporated in the PRC in January 2016 and July 2020, respectively by Funnytime.

Yueyou and Longao have entered into a series of contractual arrangements (the "**Contractual Arrangements**") with the PRC Operating Entities and their respective equity holders, which enable Yueyou and Longao 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 and Longao, at the discretion of Yueyou and Longao;

– 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 or Longao 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 Longao 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 awarding the Company's ordinary 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 2020, the Company had contributed HKD12,010,000 (equivalent to RMB10,136,000) (2019: 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 2020, the Trustee had purchased 9,477,000 shares (2019: 9,477,000 shares) of the Company at a total cost (including related transaction costs) of HKD7,967,000 (equivalent to RMB6,884,000) (2019: HKD7,967,000 (equivalent to RMB6,884,000)).

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:

	2020			2019		
	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	0.81	3,497,000	2,523	0.87	2,708,000	2,164
Shares purchased during the year	–	–	–	0.53	789,000	359
Shares vested during the year	–	(2,202,000)	(1,589)	–	–	–
At 31 December	0.81	1,295,000	934	0.81	3,497,000	2,523

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 all the directors in office 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 was 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 has been postponed and will be dealt with together with 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 nil (2019: RMB829,000) was recognised in the consolidated statement of profit or loss.

(ii) Movements in the number of awarded shares for the years ended 31 December 2020 and 2019 are as follows:

	Number of awarded shares
At 1 January 2019	4,900,000
Forfeiture	(216,000)
At 31 December 2019	4,684,000
Vested and transferred during the year	(2,202,000)
Forfeiture	(154,000)
At 31 December 2020	2,328,000

During the year ended 31 December 2020, nil shares (2019: 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, 9% (2019: 23%) and 29% (2019: 38%) 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:

	2020		
	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Current (not past due)	1.5%	286,363	4,196
1 – 90 days past due	3.1%	4,252	131
91 – 180 days past due	4.4%	–	–
More than 180 days past due	19.6%	8,299	1,623
		298,914	5,950

	2019		
	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *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

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Online games segment:

	2020		
	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Current (not past due)	**0.0%**	**4,193**	**–**
1 – 90 days past due	**5.0%**	**1,667**	**83**
91 – 180 days past due	**40.0%**	**5**	**2**
More than 180 days past due	**100.0%**	**9,904**	**9,901**
		15,769	**9,986**

	2019		
	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *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

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:

	2020	2019
	RMB'000	*RMB'000*
Balance at 1 January	**21,174**	15,084
Amounts written off during the year	**(8,083)**	–
Impairment losses recognised during the year	**2,845**	6,090
Balance at 31 December	**15,936**	21,174

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance:

– decrease in amounts past due over 180 days resulted in a decrease in loss allowance of RMB4,797,000 (2019: RMB16,321,000).

(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)

	2020 Contractual undiscounted cash outflows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	841,214	90,233	102	814	932,363	917,175
Trade and other payables	696,466	–	–	–	696,466	696,466
Lease liabilities	1,199	1,185	2,194	–	4,578	4,170
	1,538,879	91,418	2,296	814	1,633,407	1,617,811

	2019 Contractual undiscounted cash outflows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*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	1,066	747	–	–	1,813	1,740
	1,209,594	80,212	–	–	1,289,806	1,284,496

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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Exposure to currency risk (Continued)

	2020			2019		
	United Stated Dollars	Euros	Japanese Yen	United Stated Dollars	Euros	Japanese Yen
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	66,427	–	–	33,076	–	–
Cash and cash equivalents	67,900	–	–	114,875	–	–
Restricted bank deposits	6,525	–	–	80,226	–	–
Interest-bearing borrowings	(144,302)	–	–	(133,990)	–	–
Trade and other payables	(90,934)	(10,580)	(815)	(170,182)	(10,399)	(814)
Exposure arising from recognised assets and liabilities	(94,384)	(10,580)	(815)	(75,995)	(10,399)	(814)

The Group:

	Average rate		Rate at reporting date	
	2020	2019	2020	2019
USD 1	6.8976	6.8985	6.5249	6.9762
EUR 1	7.8755	7.7255	8.0250	7.8155
JPY 1	0.0646	0.0633	0.0632	0.0641

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 2020 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 2019.

	2020	2019
	RMB'000	*RMB'000*
Effect on profit after tax and equity increase		
USD	**3,539**	2,850
EUR	**397**	390
JPY	**31**	31

A 5 percent weakening of the Renminbi against the above currencies at 31 December 2020 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.

	2020 *RMB'000*	2019 *RMB'000*
Fixed rate borrowings		
– Lease liabilities *(note 25)*	**4,170**	1,740
– Interesting bearing borrowings *(note 23)*	**646,078**	576,441
Variable rate borrowings		
– Interesting bearing borrowings *(note 23)*	**271,097**	269,500
	921,345	847,681

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 2020, 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 RMB2,033,000 (2019: RMB2,021,000).

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 2019.

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 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
Structured bank deposits	5,000	–	5,000	–
Liabilities:				
Derivative financial instruments:				
– Future contracts	(21,672)	(21,672)	–	–

	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)

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 2020 and 2019, 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

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:

	2020	2019
	RMB'000	*RMB'000*
Contracted for	**570,095**	597,963

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:

	2020 *RMB'000*	2019 *RMB'000*
Short-term employee benefits	6,682	5,701
Equity-settled share-based payments	–	375
Post-employee benefits	7	65
	6,689	6,141

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2020, the Directors consider the immediate and ultimate controlling parties of the Group to be various parties including 4 entities and 3 individuals. The 4 entities do not produce financial statements available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, Definition of Accounting Estimate	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	No mandatory effective date yet determined

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

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**4,534,947**	4,253,075	4,996,057	4,495,001	3,435,511
Gross profit	**536,895**	401,807	418,378	524,434	552,532
Profit attributable to equity shareholders of the Company	**150,832**	59,262	27,529	135,544	84,805

EARNINGS PER SHARE

	2020	2019	2018	2017	2016
Basic earnings per share [1] *(RMB)*	**0.18**	0.07	0.03	0.16	0.10
Diluted earnings per share [1] *(RMB)*	**0.18**	0.07	0.03	0.16	0.10

ASSETS, LIABILITIES AND EQUITY

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Non-current assets	**924,590**	1,003,367	997,383	1,177,371	1,288,991
Current assets	**2,030,622**	1,549,482	1,389,645	1,478,085	1,268,335
Total assets	**2,955,212**	2,552,849	2,387,028	2,655,456	2,557,326
Non-current liabilities	**132,035**	121,364	94,692	313,239	190,783
Current liabilities	**1,592,120**	1,318,640	1,217,972	1,302,976	1,480,653
Total liabilities	**1,724,155**	1,440,004	1,312,664	1,616,215	1,671,436
Net current assets/(liabilities)	**438,502**	230,842	171,673	175,109	(212,318)
Total assets less current liabilities	**1,363,092**	1,234,209	1,169,056	1,352,480	1,076,673
Total equity attributable to equity shareholders of the Company	**1,228,897**	1,110,928	1,051,913	1,012,172	858,131
Non-controlling interests	**2,160**	1,917	22,451	27,069	27,759

FIVE YEARS FINANCIAL SUMMARY

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2020	2019	2018	2017	2016
EBITDA *(RMB'000)*	**307,014**	216,481	193,123	310,799	221,524
Profitability ratios:					
Gross profit margin (2) *(%)*	**11.8%**	9.4%	8.4%	11.7%	16.1%
Operating profit margin (3) *(%)*	**3.7%**	2.5%	1.0%	4.8%	4.7%
Net profit margin (4) *(%)*	**3.3%**	1.4%	0.6%	3.0%	2.5%
EBITDA margin (5) *(%)*	**6.8%**	5.1%	3.9%	6.9%	6.4%
Rate of return on equity (6) *(%)*	**12.3%**	5.3%	2.6%	13.4%	9.9%
Liquidity ratios:					
Current ratio (7) *(times)*	**1.3**	1.2	1.1	1.1	0.9
Quick ratio (8) *(times)*	**0.7**	0.6	0.6	0.6	0.5
Inventory turnover (9) *(days)*	**48**	42	37	40	42
Trade receivable turnover (10) *(days)*	**28**	27	28	34	31
Trade payable turnover (11) *(days)*	**46**	36	34	53	69
Capital adequacy ratios:					
Gearing ratio (12) *(%)*	**36.2%**	38.1%	36.2%	40.6%	38.3%
Net gearing ratio (13) *(%)*	**22.4%**	34.5%	42.6%	56.0%	56.4%
Interest coverage ratio (14) *(times)*	**10.5**	6.0	5.0	7.3	5.1

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.