2023 ANNUAL REPORT

Xingye Alloy Materials Group Limited
興業合金材料集團有限公司

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

Mr. CHAI Chaoming *(Chairman)*
Ms. LU Hong
Dr. LOU Dong

Remuneration Committee

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

Nomination Committee

Mr. CHAI Chaoming *(Chairman)*
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

Hong Kong

Zhong Lun Law Firm LLP

PRC

Zhong Lun Law Firm

Cayman Islands

Conyers Dill & Pearman, Cayman

AUDITORS

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

REGISTERED OFFICE

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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 Gaming 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
17/F, Far East Finance Centre,
16 Harcourt Road
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 would like to sincerely present the annual report of Xingye Alloy Materials Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 ("**2023**" or the "**Reporting Period**").

In 2023, affected by various factors such as intensified geopolitical competition, complication of the international landscape, and slower than expected international and domestic economic recovery, the Group's copper processing business suffered a decline in orders during the first half of the year, and then gradually stabilized and recovered in the second half of the year. Under the leadership of the Board of Directors, the Group has undertaken an internal reform focusing on improving internal support for production department and expanding sales externally. The Group continues to deepen the adjustment of organizational structure and product structure, shorten the new product research and development cycle, and consolidate the management foundation at all levels, focusing on expanding and maintaining the market share of high value-added and key customer products as well as explore orders from overseas markets.

In 2023, affected by the mismatch between the new round of production capacity releases industry wide and the downstream consumption demand, competition in the domestic copper processing industry became more fierce, and therefore gross margin for the players in the industry has been further compressed. With the collective efforts of the Group's employees, the Group's production and sales volume were basically the same as the previous year. During the Reporting Period, the Group achieved total sales volume of 139,259 tons.

Hereby, I am pleased to announce that the profit attributable to equity shareholders of the Company in 2023 was RMB187.4 million, and the total revenue was RMB6,323.2 million.

OUTLOOK

In 2024, with the expected start of the interest rate cut cycle in major economies such as Europe and the United States, and as China continues to implement policies to stimulate consumption and promote the development of emerging industries, China's economy is expected to enter an accelerated rebound. However, risks from geopolitics and China-US trade frictions still exist, adding to the uncertainty of the economic recovery process. Facing the complicated external environment, in 2024, the Group will firmly implement the reform strategy, increase the linkage among supply, production and sales, promote organizational optimization, realize the results of management improvement, create a platform economy, deepen cost reduction and increase efficiency, aiming to consolidate core competitiveness and industry status. We believe that with the leadership of the Group's Board of Directors and the hard efforts of all employees, the Group will successfully complete our goals, calmly respond to various challenges, effectively resolve potential risks, and continue to move forward towards the ultimate goal of becoming a world-class and century-old company.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere gratitude and blessings to all shareholders, all employees, partners and all sectors of society.

HU Changyuan
Chairman

Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

The Group's total revenue for the year ended 31 December 2023 ("**2023**") amounted to RMB6,323.2 million, representing an increase of 1.4% as compared to RMB6,238.5 million for the year ended 31 December 2022 ("**2022**"). The Group's profit attributable to the shareholders in 2023 decreased by 13.5% to RMB187.4 million from RMB216.6 million in 2022. The decrease in profit was mainly attributable to a net loss on metal future contracts of RMB16.8 million recorded by the Group in 2023, as compared to a net gain on metal future contracts of RMB12.7 million recorded by the Group in 2022.

COPPER PROCESSING BUSINESS

Market and Industry Review

In 2023, the trend of copper price was mainly affected by multiple factors, such as macroeconomic driving, labor disputes in copper mines, environmental protection protests, interest rate hikes by US Federal Reserve and fluctuations in demand. Copper price experienced several major fluctuations such as "oscillation", "bottoming out" and "rebound" until the end of 2023, when it almost returned to the level of the beginning of 2023. The year of 2023 was the first year of post-epidemic recovery in China, and global investors had high expectations that China would achieve a strong recovery in economy at the beginning of 2023, but the growth rate of China's economy subsequently slowed. Overseas trends of European and U.S. economies also diverged. The monetary policy of US Federal Reserve remained the mainstay of copper trading, the moving band of trading price of London copper gradually went down in 2023, while Shanghai copper performed relatively strongly against the background of RMB depreciation. The annual copper price on London Metal Exchange (LME) moved between US$7,850-US$8,850 per ton for the majority of 2023, with an average price of US$8,516 per ton, a year-on-year decline of 3.0%. Meanwhile, the copper price in 2023 was characterized by internal strength and external weakness, with the average annual price of SMM 1# electrolytic copper at RMB68,315 per ton, up 1.4% year-on-year.

With regard to the trend of copper price in 2024, we expect that the copper price may show a weak trend in the first half of the year under the influence of domestic and foreign macro factors. However, in the second half of 2024, with the release of macro risks and the market's anticipation of the US Federal Reserve's interest rate cut and China's new round of stimulus policies, market sentiment will be boosted and copper prices are expected to show a trend of upward fluctuation. For the whole year of 2024, it is expected that the core fluctuation range of copper price will be US$7,500 to US$9,000 per ton, and the domestic copper price will be RMB62,000 to RMB72,000 per ton.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, from the perspective of copper plate and strip industry, downstream demands diverged dramatically. Building decoration, plumbing and sanitary ware, clothing and auxiliary decoration and other copper processing downstream industries showed insufficient demand, whereas, electronic information manufacturing industry gradually recovered, and household appliance sector performed well with the growth in production volume of refrigerators, air conditioners, washing machines and other products. Electricity and emerging sectors, such as new energy vehicles, photovoltaic, wind power, energy storage and robotics, are developing rapidly, and becoming the main force driving emerging copper consumption. The "New Three Kinds (新三樣)" namely, products of electric vehicles, photovoltaic products and lithium batteries with a large amount of copper materials consumption boasted the outstanding export performance, and are becoming a new growth point of foreign trade. In the face of the current situation of the industry with weakening demand for traditional copper plate and strip products and growing potential for high-end plate and strip products, enterprises in the industry actively expand the production capacity for high-end copper plate and strip products, which will further optimize the structure of copper plate and strip products in China and lead to the high-quality development of the industry. In 2023, the overall production of copper processing materials in China was 20.85 million tons, a year-on-year increase of 3.0%. The production of copper and copper alloy plates and strips was 2.37 million tons, a decrease of 31,000 tons from last year. In the year 2023, the consumption of copper and copper alloy plate and strip products in China was 2.35 million tons, among which, the number of traditional brass products declined and the red copper and high-end products increased.

Looking forward to 2024, with the continuous implementation of domestic fiscal and economic policies, steady economic development, and the rapid development of new energy vehicles, electronics, electricity, communications, ultra-high voltage, photovoltaic and other industries, the demand for high-end copper plate and strip products is still increasing rapidly. Red copper plates and strips and alloy plates and strips partially make up for the gap in demand for brass plates and strips. Copper plates and strips will move towards the future development trend of high strength, high conductivity, high precision and high stability. At the same time, the gradual initiating of new production capacity will bring evident competitive pressures in the industry. Enterprises in the industry should adjust their product structure and increase the proportion of high-end products to adapt to the complex and changeable market demand changes.

Business Review

During 2023, the Group's copper processing business realised a total revenue of RMB6,312.4 million and sales volume of 139,259 tons, representing a slight increase of 1.4% and a slight decrease of 0.03% respectively over 2022. The revenue from manufacturing and sales of precision copper plates and strips was RMB6,023.7 million, representing an increase of 2.3% from RMB5,887.0 million of 2022. The sales volume of precision copper plates and strips was 94,104 tons, representing an increase of 3.1% from 91,236 tons in the same period of 2022. The increase in copper plates and strips revenue was mainly due to the increase in sales volume. During 2023, copper products processing services revenue was RMB231.9 million, representing a decrease of 11.5% from RMB261.9 million of 2022. And the volume of processing services was 41,215 tons, representing a decrease of 6.2% from 43,921 tons of 2022. During 2023, revenue from trading of raw materials was RMB56.8 million, representing a decrease of 25.3% from RMB76.0 million of 2022. Trade sales were 3,940 tons, representing a decrease of 5.1% from 4,150 tons of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Development

During 2023, the Group carried out major work and achieved the expected results, as follows:

1. **Improvement of management level.** (1) The Group engaged two world renowned consulting firms, and established a management improvement project team. The team has carried out consulting work in the form of a project-based approach for the Group's strategic planning, organizational optimization, job and responsibility setting, performance change, and production management improvement, which has enabled senior management to broaden their horizons and achieve comprehensive improvement in management awareness, management concepts, management application tools, and management methods. (2) The Group provided training courses for middle management to improve their management thinking and level. (3) In order to make more sales people to go out and better understand the customers' needs, the Group has adjusted and optimized its marketing system.

2. **Talent system construction.** (1) In order to reduce the average age of employees, and increase the proportion of personnel with college education or above, the Group has continuously optimized the personnel proportion structure. (2) The Group innovated the internal trainer system to strengthen standardized training. In the first phase, the Group has hired 19 internal trainers to improve the abilities of all staff. (3) The Group initiated the recruitment and training plan for reserve talents, which will serve as a reservoir of human resources for the sustainable development of the Company. (4) The human resource management system is gradually being introduced and improved, and a personnel mechanism based on tasks, positions, responsibilities, and performance is gradually being formed.

3. **Promotion of technological transformation projects.** 2023 is an important period for the Group to pursue profound development, achieve first-class equipment, broaden the competitive landscape of the enterprise, and enhance the overall competitive level. Over 50 technological transformation projects have been carried out throughout 2023, which will lay solid foundation of equipment and production capacity for the Group's development in the next five years, and provide guarantee to the expansion of high value-added products and specialized production of products.

4. **Accelerating the research and development of new products.** First-class technology is a powerful guarantee for achieving first-class products. During 2023, the Group engaged global industry experts to jointly overcome quality problems arising from the production process, and carried out multiple high value-added product projects in conjunction with the R&D technology department. In addition, the Group engaged consulting firms to participate in the product development process and the construction of a full process tracking on research and development system, continuously improving standardization of documents and updating product process libraries.

5. **Information construction assistance.** In response to the requirements for the construction of digital factories, the Group has carried out in-depth information technology projects in 2023, including production management systems, marketing center data analysis systems, product research and development management systems, and quality information feedback systems. It has laid a solid foundation for the Group to move from informatization to digital factories.

6. **Corporate culture and social responsibility.** The Group focuses on shaping brand influence externally and creating a home atmosphere internally to carry out corporate culture construction, continuously innovating cultural connotations and forms of expression. (1) The Group has diversified promotional channels of the Company. With registered video accounts on social media platforms, the Group was able to publish a series of new corporate promotional videos. In addition, it participated in the Shanghai Electronics Exhibition and promoted company products through industry and downstream associations. (2) To deepen employee care, the Group continuously promote the construction of a "Happy Home". It has hired full-time traditional Chinese medicine doctors to provide consultations for employees, enriched the form and content of summer camps for employees' children, made cultural and entertainment activities more people-oriented, and made employee accommodation more comfortable.

Outlook

Looking forward to 2024, with the active fiscal policies and consumption stimulus policies of the PRC government, domestic economic development is expected to be further boosted, and demand for copper processing products is expected to improve. However, the new round of capacity release in the copper processing industry does not match the overall increase in downstream demand, which means that the Group's copper processing business will face more fierce competitions and challenges. In this regard, the management team of the Group will continue to promote major tasks such as management reform, organizational optimization, product structure adjustment, cost reduction and efficiency improvement. At the same time, we will continue to strengthen the expansion of our customer base, expand our product influence, and enhance our brand appeal. We will strive to stabilize the domestic industry position and gradually approach world-class peers.

GAMING BUSINESS

For the year ended 31 December 2023, the Group's gaming business realised a total revenue of RMB10.8 million and a net loss of RMB4.9 million, as compared to a revenue of RMB13.6 million and a net loss of RMB0.2 million for the same period of 2022. The loss was mainly due to the decline in revenue from existing gaming products. Looking forward to 2024, the Group will continue to strive to explore new products that suit the characteristics of its gaming business, so as to expand its revenue sources.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit

The Group's copper business achieved total revenue of RMB6,312.4 million for the year ended 31 December 2023, and the Group's online gaming business achieved revenue of RMB10.8 million for the year ended 31 December 2023.

For the year ended 31 December 2023, the Group recorded total sales revenue of RMB6,323.2 million, which increased by 1.4% from RMB6,238.5 million of 2022. The increase in the revenue of the Group's copper business was mainly due to an increase in sales volume of manufacturing and sales of precision copper plates and strips. The sales volume of precision copper plates and strips was 94,104 tons, representing an increase of 3.1% from 91,236 tons in 2022. While the Group's copper business realised a total sales volume of 139,259 tons, which decreased slightly by 0.03% from 139,307 tons of 2022. The Group recorded a gross profit of RMB610.3 million for 2023, which increased by 3.8% as compared with 2022. The increase in gross profit is mainly due to two factors: 1) a decrease in processing cost such as utilities cost; and 2) the Group provided less impairment for its inventory in 2023 as compared with that of 2022.

Other income

For the year ended 31 December 2023, the Group recorded other income of RMB26.7 million, which decreased by RMB1.4 million as compared to 2022. Such decrease was mainly because the Group recorded a gain of RMB2.4 million on materials insurance indemnity in 2022.

Other (losses) and gains, net

For the year ended 31 December 2023, the Group recorded RMB20.5 million in other losses, while the Group recorded other gains of RMB11.4 million in 2022. Such change was mainly due to the fact that the Group recorded a net loss of RMB16.8 million on metal future contracts in 2023, and the Group recorded a net gain of RMB12.7 million on metal future contracts in 2022.

Distribution expenses

For the year ended 31 December 2023, distribution expenses of the Group decreased by RMB4.0 million from RMB61.1 million in 2022 to RMB57.1 million in 2023. The decrease was mainly due to a decrease in distribution services fee.

Administrative expenses

For the year ended 31 December 2023, administrative expenses of the Group increased by RMB5.6 million from RMB334.1 million in 2022 to RMB339.7 million in 2023, and was mainly due to an increase in travel expenses.

Net finance income

For the year ended 31 December 2023, the Group's net finance income was RMB3.8 million (2022: net finance income of RMB17.1 million). This was mainly due to a decrease in net foreign exchange gains.

Income tax

For the year ended 31 December 2023, the Group's income tax expense increased by RMB3.3 million to RMB35.9 million from RMB32.6 million in 2022, and the effective tax rate increased to 16.1% in 2023 as compared to 13.1% in 2022. The increase in the effective tax rate was mainly due to the increase in taxable profits of a PRC subsidiary of the Company, which has been profitable since 2022 and used its accumulated losses in 2022.

Profit attributable to the shareholders of the Company

As a result of the aforementioned factors, the profit attributable to the shareholders of the Company decreased by RMB29.2 million to RMB187.4 million in 2023 from RMB216.6 million in 2022.

Liquidity and financial resources

As at 31 December 2023, the Group recorded net current assets of RMB860.2 million, compared with net current assets of RMB903.4 million as at 31 December 2022.

The short-term interest-bearing borrowings represented 87.3% of total interest-bearing borrowings as of 31 December 2023. As at the date of this annual 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 RMB3,356.8 million (including long term loan facilities amounting to RMB1,747.0 million) and RMB1,314.5 million (comprised of restricted bank deposits of RMB740.7 million, bank deposits with maturity over three months of RMB155.1 million and cash and cash equivalents of RMB418.7 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 2024. 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 2023, the Group had bank loans and other borrowings of approximately RMB1,048.1 million, which shall be repaid within 1 year. As at 31 December 2023, 44.3% of the Group's debts were on a secured basis.

The gearing ratio as at 31 December 2023 was 32.1% (31 December 2022: 33.0%), which is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings, lease liabilities and bills payable 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 2023, the Group pledged assets with an aggregate carrying value of RMB485.8 million (31 December 2022: RMB503.1 million) to secure bank loan facilities.

Capital expenditure

In the year ended 31 December 2023, the Group invested RMB282.4 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 2023, future capital expenditures, for which the Group had contracted but not provided for, amounted to approximately RMB324.5 million, which is mainly for plant construction and capacity expansion of the Group's copper processing business.

Important Events After the End of the Financial Period

There are no important events affecting the Group which have occurred after the end of the financial year ended 31 December 2023 and up to the date of this annual report.

SIGNIFICANT INVESTMENTS

As at 31 December 2023, the Group had no significant investment in equity interest with a value of 5% or more of the Group's total assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other future plans for material investments or capital assets as at 31 December 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, 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.

The Group exports a portion of its products to and purchases a considerable amount of raw materials mainly copper products and production equipment from international markets where transactions are denominated in USD or other foreign currencies. Therefore, the Group has exposure for foreign exchange risks and the Group uses foreign exchange forward contracts and options to hedge its foreign exchange risks. For details of the Group's foreign currency forward contracts and options, please refer to note 19 to the financial statements.

EMPLOYEES

As at 31 December 2023, the Group had 1,578 employees. 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. The remuneration of employees is disclosed in note 7(b) of the notes to consolidated financial statements.

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 is 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

The trustee of the share award scheme adopted by the Company on 18 April 2016 (the "**Share Award Scheme**"), pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 16,263,000 shares of the Company at a total consideration of HKD17,982,000 (equivalent to RMB16,130,000) throughout 2023.

Except for the purchase of shares under the Share Award Scheme mentioned above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2023.

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 Group 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 2023, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 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 C3 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 C3 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 2023.

CORPORATE CULTURE

Providing high-quality products with innovation, confidence and integrity to our customers and share success with our employees, shareholders and stakeholders are the key success factors of an enterprise.

Since 2015, the Group established "Happy Working Life in Xingye (興業幸福家園)" to enhance the unity of the Group and sense of belonging of the employees in order to have a stable and sustainable development of the enterprise. The Group believes that the theme of the employees' happiness, customers' delight and the shareholders' satisfaction, in order to foster the employees with "Xingye's spirit" and serve the customers with corporate philosophy, dedicating to becoming a respected enterprise with a long history.

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 (if any) 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.

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

Responsibilities of the Board

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

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 2023, the Board convened a total of 4 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)*	4	4
Mr. HU Minglie *(Chief Executive Officer)*	4	4
Mr. ZHU Wenjun	4	4
Independent Non-executive Directors		
Mr. CHAI Chaoming	4	4
Dr. LOU Dong	4	4
Ms. LU Hong	4	4

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 of the meetings 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 determines the corporate governance policy and 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 ended 31 December 2023, 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 for the year ended 31 December 2023.

Directors' training and continuing professional development

The Directors are committed to comply with Code Provision C.1.4 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 ended 31 December 2023. All Directors, namely Mr. HU Changyuan, Mr. HU Minglie, Mr. ZHU Wenjun, Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong, 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 2023.

MECHANISM ON INDEPENDENT VIEWS TO THE BOARD

The independent non-executive Directors comprised professionals who are capable of safeguarding the corporate governance of the Company and protecting the interests of all Shareholders. Through serving on the Board committees, taking active participation and sharing of valuable impartial view on matters discussed at the Board and/or Board committees meetings and taking lead in managing issues involving potential conflict of interests, all independent non-executive Directors have provided the independent view to the Board and made various contributions to the effective direction of the Company.

The Board shall review the mechanism on independent views and input to the Board on an annual basis, and has reviewed it during the year ended 31 December 2023, to ensure its implementation and effectiveness.

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 2023 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 first annual general meeting of the Company after his appointment 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 Stock Exchange's website. During the year ended 31 December 2023, the Audit Committee comprised three independent non-executive Directors, namely, Mr. CHAI Chaoming (Chairman), Dr. LOU Dong and Ms. LU Hong. The Audit Committee meets formally at least twice a year.

Two Audit Committee meetings were held during the year ended 31 December 2023. 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. CHAI Chaoming *(Chairman)*	2	2
Ms. LU Hong	2	2
Dr. LOU Dong	2	2

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

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

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

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

– to review internal control matters with the external auditors;

– to review the external auditors' statutory audit plan and letters to the management (if any);

– 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 (if any) 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 ended 31 December 2023 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 Stock Exchange's website. During the year ended 31 December 2023, 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' and senior management 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 2023. 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, if any, and the annual report; and the proposal for grant of share awards under the Share Award Scheme 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 (being the three executive Directors) by band and other remuneration related matters for the year ended 31 December 2023 is set out below:

Remuneration bands *(RMB)*	**Number of person(s)**
1,000,001 to 2,000,000	1
3,000,000 to 5,000,000	2

Directors' Remuneration Policy

The Company has established a formal and transparent policy on Directors' remuneration and other remuneration related matters. Such remuneration policy is to ensure that all Directors, are sufficiently compensated for their efforts and time dedicated to the Company and remuneration offered is appropriate for their duties and in line with market practice. No Director, or any of his/her associates, is involved in deciding his/her own remuneration.

According to such directors' remuneration policy, the policy and structure for the remuneration of Directors are set out below:

(a) Independent non-executive Directors and non-executive Directors receive a basic fee and other discretionary remuneration. Such basic fee is set at a level that reflects the competencies and contribution required in view of the Group's complexity, the extent of the responsibilities and the number of Board meetings or relevant meetings of the Board committee(s) that he or she has to attend. In addition to the basic fee, independent non-executive Directors and non-executive Directors receive compensation for being chairman of the Board committee(s) if he or she is not the Chairman of the Board. Generally the Company shall not grant equity-based remuneration with performance related elements to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

(b) When executive Directors are employed on a contractual basis, their remuneration is fixed according to current market rates and conditions in Hong Kong and PRC (where applicable) and subject to reassessment annually or periodically, as mutually agreed between the Company and executive Directors. The remuneration committee should consult the Chairman of the Board about their proposals relating to the remuneration of other Executive Directors and have access to professional advice if considered necessary. Executive Director's remuneration consists of both variable and non-variable elements. The total level of the non-variable elements of the remuneration is determined by taking into consideration the job description and responsibilities and the Group's magnitude and complexity. Executive Directors may also receive other benefits, including but not limited to, defined contribution retirement scheme plan, plan providing for hospitalization and outpatient benefits, accommodation benefit, and use of company car. The variable element is discretionary in nature and consists of year-end bonuses on the basis of both the executive Director's and the Group's performances as recommended by the Chairman of the Board and approved by the remuneration committee and the Board.

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 Stock Exchange's website. During the year ended 31 December 2023, the Nomination Committee comprised three independent non-executive namely, Directors Mr. CHAI Chaoming (Chairman), Dr. LOU Dong and Ms. LU Hong. The Nomination Committee meets formally at least once a year.

One Nomination Committee meeting was held during the year ended 31 December 2023. At the meeting, the members of the Nomination Committee executed the major duties and responsibilities which are provided below. The individual attendance record of each member of the Nomination Committee is tabulated as follows:

Name of Member	Number of meetings held while being a Member	Number of meetings attended
Mr. CHAI Chaoming *(Chairman)*	1	1
Dr. LOU Dong	1	1
Ms. LU Hong	1	1

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 Board had reviewed the implementation and effectiveness of the said policy during the year ended 31 December 2023.

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.

The Board had achieved gender diversity of the Board since May 2016. Gender diversity at workforce levels (including our senior management) is disclosed (on page 58) in the Environmental, Social and Governance Report in this annual report. The Company is aiming to achieve a more balanced gender ratio in the workforce in the future and will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness.

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 2023, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The financial statements for the year ended 31 December 2023 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 ended 31 December 2023, 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 2023 amounted to approximately RMB2.46 million. For the year ended 31 December 2023, the fees for non-audit services (as scrutineer for vote taking at the 2023 annual general meeting and an extraordinary general meeting held on 15 December 2023) provided by KPMG amounted to RMB50,000.

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 2023. 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 including, amongst others, material risks relating to environmental, social and governance ("**ESG**"), 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 (including ESG 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 as well as those relating to the Group's ESG performance and reporting;
- 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 ended 31 December 2023, 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 and Anti-Corruption Policy

To achieve and maintain the highest standards of openness, probity and accountability, the Company adopted a whistle blowing policy from 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.

To achieve and conduct business honestly, ethically and with integrity, the Company adopted a anti-corruption policy from 5 July 2022. This policy aims to set out the responsibilities of all business units and employees of the Group to comply with the applicable anti-corruption laws, rules and regulations. The Group adopts a zero-tolerance principle against corrupt practices.

Further disclosures of whistleblowing and anti-corruption are set out in the Environmental, Social and Governance Report in this annual report.

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" of this annual report.

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 2023.

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 Stock 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 Shareholder(s) 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 2023 annual general meeting ("**AGM**") and an extraordinary general meeting ("**EGM**") held on 15 December 2023 is tabulated below:

	AGM	EGM
Executive Directors		
Mr. HU Changyuan *(Chairman)*	✓	✓
Mr. HU Minglie *(Chief Executive Officer)*	✓	✓
Mr. ZHU Wenjun	✓	✓
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.

The Company had adopted a shareholders' communication policy since March 2012 which had been published on the website of the Company. The Company has an ongoing dialogue with Shareholders and other investors through various communication channels set out in the shareholders' communication policy and takes any areas of concern into consideration when formulating its business strategies. The Board had reviewed the implementation and effectiveness of the said policy and considered to be effective and adequate.

SHAREHOLDERS' RIGHTS

Procedures 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 Shareholder(s) 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, on a one vote per share basis in the share capital 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 the foregoing shareholders shall be able to add resolutions to the meeting agenda; 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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.

The Memorandum of Association and Articles of Association of the Company were amended and adopted by special resolution in the EGM held on 15 December 2023 in order to (i) conform to the core shareholder protection standards set out in Appendix A1 to the Listing Rules and (ii) make some other housekeeping amendments. Details of the amendments to the Memorandum of Association and Articles of Association of the Company were disclosed in the Company's circular dated 21 November 2023.

Save as disclosed above, there was no significant change in the Company's constitutional documents during the year ended 31 December 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Basis for preparation

The Report is prepared in accordance with Appendix C2 *Environmental, Social and Governance Reporting Guide* (version effective from December 31, 2023) to the *Listing Rules* published by the Stock Exchange of Hong Kong Limited (hereinafter referred to as "**Stock Exchange of Hong Kong**") and with reference to the Global Reporting Initiative *Sustainability Reporting Standards* (GRI Standards).

Report scope

Scope of organization: The Report is applicable to Xingye Alloy Materials Group Limited and its subsidiaries (excluding the gaming business segment). Full and short names of companies in the Report:

Full name	Short name
Xingye Alloy Materials Group Limited	Xingye Alloy, Company
Ningbo Xingye Shengtai Group Co., Ltd.	Shengtai
Ningbo Xingye Xintai New Electronic Materials Co., Ltd.	Xintai

Period: January 1, 2023 to December 31, 2023 ("**Reporting Period**").

Release cycle: This is an annual report and the last report was in 2022.

Data sources and description

The data and cases in the Report come from the original records of actual operations or annual reports of the Company. Unless otherwise stated, the financial data in the Report are expressed in RMB. The annual report shall prevail in case of any inconsistency with it. Unless otherwise stated, the statistical standard of the key quantitative performance data in the Report is consistent with the scope of the consolidated financial statements in the Group's annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting principles

The Report follows the reporting principles of the *Environmental, Social and Governance Reporting Guide* by the Stock Exchange of Hong Kong, including:

- Materiality: The Company identified the material topics of concern related to the operation to investors and other stakeholders as highlights of the Report. The presentation of material topics in the Report focuses on the industry characteristics involved in the Company's operations and the characteristics of the region where it is located. The analysis and results of material topics are detailed in the Section "ESG Management" of the Report. The Report highlights ESG matters that may have an important impact on investors and other stakeholders.

- Accuracy: The Report is intended to be as accurate as possible. The data standard, calculation basis, and assumption conditions have been explained in the quantitative information to guarantee that the calculation error range will not mislead the users. Quantitative information and notes are detailed in the Section "Key Quantitative Performance Table of ESG" in the Report. The Board of Directors warrants that there are no false records, misleading statements, or material omissions in the Report.

- Balance: The Report reflects objective facts and impartially discloses positive and negative information related to the Company. The Company conducts searches through the Shanghai Qingyue Credit Data Database for the objects in the Report and found no negative events that should have been disclosed but were not disclosed during the reporting period.

- Quantification and consistency: The Report discloses key quantitative performance indicators and, where possible, historical data. The statistics and disclosure of the same indicator in the Report are consistent from one reporting period to another; any change shall be fully explained in the notes to the Report so that stakeholders can conduct meaningful analyses and assess the trend of the Company's ESG performance level.

Report release and contact us

The Report is published in both English and Chinese. The Chinese text shall prevail in the event of any discrepancy in the interpretation of the two texts.

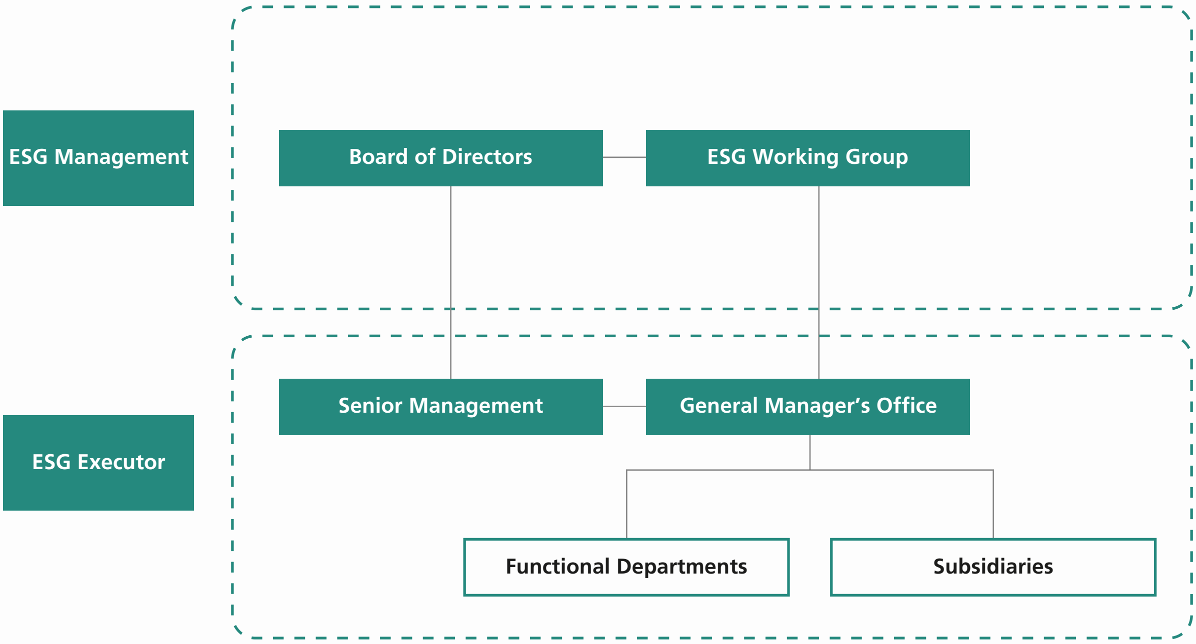
The Report is available at http://www.xingyealloy.com/, the official website of Xingye Alloy, in both English and Chinese. If you have any question or suggestion about the Report, please contact us at +86 0574-63073311 or cnb@cn-shine.com.

1. ESG MANAGEMENT OF THE BOARD OF DIRECTORS

1.1 ESG governance structure

The Company established a governance structure for Environmental, Social and Corporate Governance (ESG), with the Board of Directors taking overall responsibility for ESG. The Company set up an ESG working group under the Board of Directors to coordinate ESG management, communication, and information disclosure, assess ESG risks, ensure internal control of ESG risks, and report to the Board of Directors on the progress and results of ESG work. It set up the General Manager's Office under the senior management as the ESG executor to promote the implementation of ESG policies and measures in the Company and report to the ESG working group on the status of ESG implementation regularly.

ESG Governance Structure of Xingye Alloy



ESG Responsibilities of Xingye Alloy

ESG responsibilities of the Board of Directors and ESG Working Group:

The Board of Directors is the highest decision-making body for ESG management and is responsible for monitoring and evaluating the effectiveness and ensuring a robust ESG governance. The ESG Working Group supports the Board of Directors in fulfilling decision-making responsibilities, primarily responsible for:

a) Assessing and evaluating the Company's ESG-related risks and opportunities;

b) Ensuring that appropriate and effective ESG risk management and internal control systems are in place;

c) Monitoring and approving the development of the Company's ESG management policies, strategies, priorities, and objectives;

d) Regularly reviewing the Company's performance in ESG-related objectives;

e) Examining and approving disclosures within the Company's ESG report, etc.

ESG responsibilities of Senior Management and General Manager's Office:

Senior management authorized by the Board of Directors assists to develop and fulfill ESG efforts and ensures that appropriate and effective ESG risk management and internal control systems are in place. The General Manager's Office is the main ESG implementer and coordinator, primarily responsible for:

a) Formulating guidelines and reviewing ESG management policies and strategies, and promoting ESG-related concepts inside and outside the Company;

b) Facilitating the implementation of ESG policies across departments, developing and implementing monitoring ESG objectives, and reporting on the ESG implementations;

c) Guiding and reviewing the identification and sequencing of important ESG topics;

d) Assisting in preparing the annual ESG report and other ESG-related disclosures, and submitting to the Board of Directors for consideration and approval for disclosure;

e) Identifying ESG risks related to the Company annually, assessing the impact of such risks on the Company, and advising the Board of Directors on risk response;

f) Other duties as delegated by the Board of Directors.

In 2023, the Board of Directors was responsible for directing the Company's overall ESG efforts. During the reporting period, the Board of Directors guided the Company to identify the management requirements and certification needs of major customers in ESG and to pass the customer certification.

1.2 ESG management

The Board of Directors annually reviews the results of the identification of the Company's material ESG topics to ensure the effectiveness of the ESG strategy and material ESG topics covered in ESG strategy. The process of determining materiality is guided by the following principles:

- Including opinions from key stakeholders and identifying ESG topics of concern;
- Including opinions from the management to identify ESG topics that are material to the Company's business;
- The Board of Directors deliberates topics of high concern to stakeholders and of significance to the Company's business as important ESG topics.

The Company follows the procedures of identification, evaluation, and screening, its own business and operational characteristics, and draws on domestic and international experience in the same industry to analyze material topics and identify important ESG topics of concern to the Company's stakeholders. It analyzes and ranks the importance of topics with due consideration to the requirements and focus of stakeholders and discloses them in the Report.

Communication with stakeholders

The Company values the opinions of shareholders and investors, government and regulators, customers, suppliers and partners, employees, industry, community representatives, and public welfare organizations, and established a regular communication mechanism. The Company attaches great importance to topics of concern to stakeholders and includes them in the Company's operations and decision-making processes, respectively.

Major stakeholders	Communication channels	Topics of concern
Shareholders and investors	• General meeting of shareholders • Information disclosure and investor communication	• Risk management • Economic performance • Corporate governance • Protection of investors' rights and interests • Intellectual property protection
Government and regulators	• Information disclosure • Policy interpretation • Conference communication • Supervision and inspection	• Risk management • Anti-corruption and anti-bribery • Emissions and waste • Resource utilization • Environmental management • Addressing climate change
Customers	• Customer satisfaction survey • Customer visit • Industry communication	• Product quality and safety • Customer service • Customer privacy protection
Suppliers	• Supplier evaluation and audit • Supplier training • Intellectual property protection	• Supply chain management • Anti-corruption and anti-bribery
Employees	• Regular meetings • Employee activities • Complaints and feedback	• Employee rights and interests • Employee diversity and benefits • Employee training and development • Occupational health and safety
Industry	• Industry association • Industry communication	• Innovative R&D
Communities	• Community activities • Media communication	• Social welfare

Management of material topics

The Company analyzes material topics as per its own business and operational characteristics, the domestic and international industry policies and standards as well as experience in the same industry and procedures for identification, evaluation, and screening. In 2023, the Company adjusted material topics by researching macro policy research, analyzing industry trends and material topics, including adding one new topic, optimizing the presentation of two topics, and splitting one topic to facilitate stakeholders' understanding and selection.

During the reporting period, the Company identified 20 ESG topics, including 8 material topics with a high impact and 12 material topics with a moderate impact.

2023 material topics	2022 material topics	Reasons for change
Product quality and safety	Product health and safety	Optimized expression
Employee rights and interests	Rights, interests, and benefits of employees	Split topics. The original topic describes the Company's rights and benefits initiatives while the split topic shares a clearer definition.
Employee diversity and benefits		Split topics. The split broadened the scope of topics to cover employee diversity-related content.
Intellectual property protection	–	A new topic. Fully demonstrate the Company's management of intellectual property and its achievements.
Risk management	Compliance and risk management	Optimized expression. Clarify the importance of risk management and the improvement of risk management efficiency.

Xingye Alloy Materiality Matrix

1.3 ESG objective management

The Company sets targets for water use, greenhouse gas emissions, non-hazardous waste, hazardous waste, and energy use, and tracks progress toward these targets annually. Progress on environmental targets is disclosed in detail under the Section "Environmental" of the Report.

Water use objective

40% reduction in water use per unit of product (m^3/t product) in 2025 compared to 2018

GHG emission objective

50% reduction in GHG emissions per unit of product (t CO_2e/t product) in 2025 compared to 2018

Non-hazardous waste objective

30% reduction in non-hazardous waste generation per unit of product (kg/t product) in 2025 compared to 2019

Hazardous waste objective

15% reduction in hazardous waste generation per unit of product (kg/t product) in 2025 compared to 2018

Energy use objective

20% reduction in comprehensive energy consumption per unit of product (MWh/t product) in 2025 compared to 2018[1]

Note 1: The base year for the energy use target is 2018, based on the current year's disclosed target.

As capital markets have become more concerned with Environmental, Social and Corporate Governance (ESG), the Board of Directors of the Company is increasingly focusing on ESG work. The Company bears in mind the corporate vision of "Creating an international first-class professional provider of copper alloy plates and strips," and integrates the business philosophy of "Happy employees, touched customers, shareholder satisfaction and social recognition" into its corporate culture and long-term strategic planning. The Company established on this basis a social responsibility management model to actively assume responsibility for shareholders, the environment, employees, customers, and the community, and accordingly put forward the ESG management strategy of "Compliance and robust management," "Green and harmonious development," "Building a happy homeland," "Win-Win together with quality first" and "Insisting on giving back to the society."

ESG Management Strategy of Xingye Alloy

	Short- to medium-term (3-5 years)	Long-term (5-10 years)
For shareholders: Compliance and robust management	Strengthen compliance and anti-corruption management by spreading related training to members of the Board of Directors, senior management, and all employees to create a culture of compliance.	Continuously optimize communication mechanisms for internal and external stakeholders.
For the environment: Green and harmonious development	Continuously optimize production processes, renovate environmental protection facilities, and strengthen recycling to promote resource conservation while reducing greenhouse gas and waste emissions during production and operations.	Reduce the environmental impact of its operations and exert influence on suppliers, promote the low-carbon environmental protection of the industrial chain, and help achieve China's 2060 target of carbon neutrality.
For employees: Building a happy homeland	Respect and safeguard legitimate rights and interests of employees, and build harmonious employee relations with a multi-level communication mechanism and employee care actions; Provide diversified employee training resources and career development channels to empower employees' career development; Provide a safe and healthy working environment for employees.	Adhere to being people-oriented, protect legitimate rights and interests of employees, create the brand image of a "Happy homeland," and provide employees with an improved career development platform.
For customers: Win-Win together with quality first	Strengthen the construction of customer and quality service systems oriented to "Customer demand with quality first"; Create a responsible supply chain, strengthen management of suppliers in environmental protection, labor, and ethics, and reduce environmental and social impacts at the supply chain end.	Continuously promote technology research innovation, and product development, to provide customers with reliable, high-quality products and services and become a professional and trustworthy partner.
For the society: Insisting on giving back to the society	Actively carry out volunteer services, donations, and other social welfare activities to strengthen the deep integration with the community.	Develop and expand community involvement and social welfare activities on a long-term basis to improve corporate social impact.

2. ENVIRONMENTAL: LOW-CARBON DEVELOPMENT FOR A GREEN CHAPTER

2.1 Addressing climate change

Climate change management

Global climate change has not only brought about extreme weather phenomena but has also had a serious impact on economic and social activities. The Company actively responds to the demands of global governments, investors, and other stakeholders to address climate change, identifies the risks and opportunities associated with climate change, and improves its management based on the results to minimize the carbon footprint of its operations.

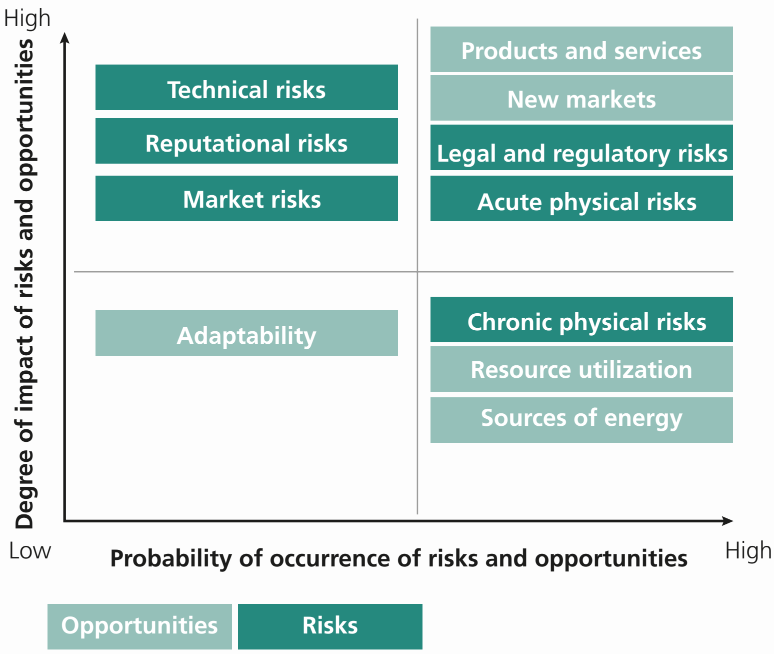
Climate Change Management System of Xingye Alloy

Governance	• Include climate change topics in Xingye Alloy's ESG focus, with the Board of Directors overseeing and managing the Company's ESG matters, including topics on climate change; • Make climate change mitigation and adaptation one of the priorities of all relevant business units as well as the HSE Department;
Strategy	• Assess the potential operational and financial impact on the Company of the significant risks and opportunities identified; • Carry out management actions related to low-carbon operations and the active use of clean energy (e.g., solar power) development;
Risk management	• Identify significant operational activities that generate greenhouse gas emissions, and potential risks and opportunities; • Plan to include climate change risks and opportunities as part of overall operational risk management;
Indicators and objectives	• Disclose greenhouse gas emissions and emission intensity in the ESG report every year to assess the Company's management performance of climate change and formulate improvement programs; • Target on carbon emission reduction set from 2020: 50% reduction in greenhouse gas emissions per unit of product (t CO_2 equivalent/t product) in 2025 compared to 2018, and disclosure beginning with ESG report in 2021.

Climate change risks and opportunities

The Company identifies the operational risks and opportunities of climate change and evaluates the impact on its finances through policy research, peer benchmarking, and expert advice to better respond to the potential risks and opportunities of climate change.

Identification Matrix of Climate Change Risks and Opportunities



Identification results of major risks of climate change			Potential financial impacts
Risks	Transition risks	**Reputational risks** Stakeholders expect the Company to take proactive management actions and improve disclosure transparency in addressing climate change as transitions to a low-carbon economy. The Company's inability to respond well to the claims of these stakeholders can affect its reputation.	• Increase in financing costs
		Policy and legal risks New policies and regulations may gradually be introduced to production and processing enterprises. The Company's environmental impacts during the production process shall comply with the requirements of laws and regulations.	• Increase in credit risk • Increase in product development costs
		Market risks Customer behavior changes with climate change. The demand for environmentally friendly products continues to increase, and the Company failing to offer such products with lower carbon footprints may face reduced demand for its products and services.	• Decrease in operating revenue
		Technical risks The Company needs to invest more money in acquiring low-carbon equipment and the operating costs of technology production increase.	• Increase in operating costs • Increase in operational inputs
	Physical risks	**Acute physical risks** The Company may be interrupted in production due to a possible interrupted supply of water and electricity in case of extreme weather conditions, such as typhoons and heavy rains, resulting in economic losses.	• Increase in operating costs • Decrease in operating revenue
		Chronic physical risks Persistent hot weather as a result of climate change may cause a dramatic increase in the Company's electricity consumption and increase operating costs.	• Increase in operating costs

Identification results of major opportunities of climate change		Potential financial impacts
Opportunities	**Efficiency of resource utilization** Improved efficiency in the utilization of energy and water resources can help the Company reduce costs in operations.	• Decrease in operating costs
	Sources of energy Increased utilization of low-emission energy/clean energy sources in operations contributes to reducing the risk of future energy price increases.	• Decrease in operating costs
	Products and services The Company can improve the efficiency of energy utilization through technological innovation and renovation, etc., to reduce emissions, lower the carbon footprints, and make its products more competitive in environmental protection.	• Revenue growth due to increased demand for products
	Adaptability The Company actively participates in industry communication to understand the industry dynamics of green products to better manage climate change-related risks and seize opportunities.	• Increase in operating revenue

Climate change response initiatives

The Company identifies and manages climate change risks and opportunities based on the *International Financial Reporting Sustainability Disclosure Standards 1: General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and the *International Financial Reporting Sustainability Disclosure Standards 2: Climate-related Disclosures* (IFRS S2) issued by the International Sustainability Standards Board (ISSB) and takes climate change as a key topic through the ESG reports and other channels to communicate with stakeholders. The Company formulated the *Contingency Plan for Natural Disaster Accidents* to regularly conduct emergency drills and training for natural disaster accidents.

Indicators and objectives

In 2020, the Company set a target of a 50% reduction in greenhouse gas emissions per unit of product (tCO_2 equivalent/t product) in 2025 compared to 2018. In 2023, the Company's total greenhouse gas emissions decreased by 26.98% compared to 2018, and greenhouse gas emissions per unit of product (tCO_2 equivalent/t product) decreased by 29.04% compared to 2018.

2.2 Environmental management

Environmental management system

The Company, in strict compliance with the *Environmental Protection Law of the People's Republic of China* and other environment-related laws and regulations and related provisions, formulated environmental management systems such as the *Procedures for Control of Environment, Occupational Health and Safety Surveillance and Measurement*, to strengthen environmental management and take proactive actions in resource utilization and management, emission and waste management, and response to climate change.

Shengtai passed the ISO14001 environmental management system certification (valid until December 30, 2025), and was awarded the Ningbo Green Factory in November 2022.

Environmental Management Structure of Xingye Alloy

Head		Main duties
General Manager Assistant	First-person responsible for environmental management	Formulate the Company's environmental management policy and development planning, and organize the development of the environmental protection system and environmental protection objectives.
Director of HSE Office	Environmental management planner	Identify the environmental policies, laws, and regulations of the state and higher authorities, and test the implementation of environmental management within the Company.
Environmental Protection Department (Chief)	Environmental management monitor	Organize to develop and supervise the implementation, preparation, and implementation of the Company's environmental protection system and the standard system, complete the Company's environmental protection management objectives and work plans, and implement and develop the Company's environmental protection supervision and inspection as well as day-to-day management.
Environmental Protection Department (Specialist)	Environmental management practitioner	Be responsible for the Company's policies and systems related to environmental protection, oversee the full implementation of the environmental protection responsibility system, and ensure to accomplish the Company's environmental management objectives.

Environmental impact analysis

The Company is mainly engaged in the processing of copper products, with the process of purchasing high-quality copper raw materials to produce high-precision copper sheets and strips through smelting, rolling, heat treatment, cleaning, finishing, and packaging. The production process consumes resources such as water, electricity, and natural gas, and mainly emits exhaust gases, production wastewater, and hazardous and non-hazardous waste.

Resources input

Key Performance	2023
Utilization of productive resources	
Electricity consumption per unit of product (kWh/t product)	1,494.88
Natural gas consumption per unit of product (m^3/t product)	84.16
Water consumption per unit of product (m^3/t product)	2.68
Total amount of packaging materials used for shipment of finished goods (t)	3,763.00

Emissions output

Key Performance	2023
Emissions	
Density of industrial wastewater discharge (m^3/t product)	0.30
Density of hazardous waste generation (kg/t product)	11.92
Density of non-hazardous waste generation (kg/t product)	27.29
Greenhouse gas emission intensity (tCO_2 equivalent/t product)	1.04

2.3 Resource utilization and management

Energy management

The Company mainly consumes electricity and natural gas, which generate and emit greenhouse gases in utilization. The Company strictly abides by the *Law of the People's Republic of China on Energy Conservation* and the *Law of the People's Republic of China on Renewable Energy*. The Company formulated the *Energy Management System*, the *Energy Saving and Consumption Reduction Management System*, and the *Electricity Management System*, etc. to reduce total energy consumption and enhance energy utilization efficiency, guide the standardized utilization of energy in production, and promote the reduction of energy consumption per unit of production as well as greenhouse gas emissions. The Company set up an Energy Control Monitoring Group, under which the Executive Office implements decisions of the Monitoring Group.

In 2023, the Company continually promoted energy efficiency, energy transformation, and cost reduction in energy consumption from process technology renovation, energy-efficient equipment renewal, and green energy substitution.

2023 Key Energy Management Initiatives of Xingye Alloy

Type	Description
Photovoltaic power	In 2023, the Company invested in a new photovoltaic facility with an installed capacity of 4.3 MW, bringing the total installed photovoltaic capacity of the site to 11 MW. As of December 31, 2023, the annual site photovoltaic green power utilized reached 10,583.94 MWh, an increase of 57.66% compared to 2022, and accounting for 5.5% of the total annual electricity consumption.
Energy storage and peak regulation	In 2023, the Company invested RMB29 million in new energy storage facilities to reduce energy costs on a time-sharing tariff policy. From September 16, 2023, when the site's energy storage facilities were put into service, through December 31, 2023, the total reduction in energy costs was approximately RMB22.97 million.
Green power procurement	The 11,400 MWh of green power procured in 2023 accounted for 5.5% of total electricity consumption.
Equipment renovation	In 2023, the Company phased out all S9 transformers and AC motors below Class-3 efficiency, added a new Japanese 20-roll mill, and replaced six liquefied gas forklifts with new energy forklifts.
Employees' energy efficiency	In 2023, the Company increased the off-peak electricity from 52% in 2022 to 53.5% in 2023 by strengthening the electricity-saving management among all employees to reduce the average cost of electricity consumption to RMB0.67/kWh through the real-time transmission of electricity consumption data.

Water resource management

The Company's production water comes from the municipal water supply of Hangzhou Bay New District Hangwan Water Supply Company. The source of water for production is stable and safe. In accordance with the *Water Law of the People's Republic of China*, the Company formulated the *Water Management System*, etc. to regulate water utilization and conservation in production and operation.

In 2023, the Company invested RMB1.8 million to renovate the reuse water treatment station of the Xintai Site, adding 300-350 m^3 of inclined plate sedimentation tank to strengthen the water treatment capacity. It improved poor water quality and serious scaling of water treated by the reuse water treatment station, and the water consumed in the production area with lower quality requirements was changed to deionized reuse water instead of tap water, expected to reduce the tap water usage by 80,000 tons per year.

Packaging management

The packaging materials used for the Company's products mainly include wooden frames, paper cores, and linings. The Company formulated the *Regulations on Control of Product Packaging* to standardize the use of packaging materials. In 2023, the Company recycled 4,448 wooden frames and 14,642 kilograms of paper cores, effectively reducing the waste of packaging materials.

2.4 Emissions and waste management

Wastewater management

Wastewater generated by the Company mainly includes comprehensive wastewater, wastewater from water reuse treatment stations and high-concentration wastewater treatment stations, and domestic wastewater from canteens and dormitories.

The Company strictly abides by the *Water Pollution Prevention and Control Law of the People's Republic of China* and other laws and regulations related to wastewater and water pollution management. The Company formulated and implemented the *Wastewater Management System* to manage all kinds of wastewater generated by the company in accordance with laws and regulations and the actual productions and operations.

The Company established management accounts for wastewater discharges, monitoring and recording pH, chemical oxygen demand (COD), suspended solids, ammonia nitrogen, and metal ions such as iron, copper, and zinc in wastewater. In 2023, the Company had no incidents to be penalized by regulatory authorities for exceeding pollutant standards or discharging violations.

Standards of Compliance for Wastewater Management	
(1)	*Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant* (GB 18918-2002)
(2)	*Integrated Wastewater Discharge Standard* (GB 8978-1996)
(3)	*Discharge Standard of Water Pollutants for Ammonia Industry* (GB 13458-2013)
(4)	*Shanghai Integrated Wastewater Discharge Standard* (DB31/199-1997)
(5)	*Indirect Discharge Standard for Nitrogen and Phosphorus Pollutants in Wastewater from Industrial Enterprises* (DB33/877-2013)
(6)	*Emission Standard of Pollutants for Electroplating* (GB 21900-2008)
Up to standards or not: All up to standard.	

Waste gas management

The waste gases generated by the Company mainly include smoke from the annealing furnace, oil mist from the rolling process, and acid mist from the pickling process.

The Company researched to formulate the *Waste Gas Management System* to guide and standardize the monitoring and management of exhaust gas emissions within the Group in strict accordance with the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China* and other relevant laws and regulations on exhaust gas and air pollution prevention and control.

The Company established management accounts for waste gas emissions to monitor particulate matter, lead and its compounds, tin and its compounds, nickel and its compounds, nitrogen oxides, sulfur dioxide, and other pollutants in the waste gas. In 2023, the Company met all of its emissions standards.

Standards of Compliance for Waste Gas Management	
(1)	*Integrated Emission Standard of Air Pollutants* (GB16297-1996)
(2)	*Emission Standard of Air Pollutants for Industrial Kiln and Furnace* (GB9078-1996)
(3)	*Standard for Pollution Control on Hazardous Waste Incineration* (GB 18484-2020)
(4)	*Emission Standard of Air Pollutants for Steel Rolling Industry* (GB 28665-2012)
(5)	*Emission Standards of Pollutants for Secondary Copper, Aluminum, Lead and Zink Industry* (GB 31574-2015)
Up to standards or not: All up to standard.	

Waste management

The waste mainly involved in the company's production and operation is categorized into non-hazardous waste and hazardous waste. Non-hazardous wastes mainly include slag, copper scale, waste cardboard, waste plastics, workshop trimmings, etc. Hazardous wastes mainly include smelting fly ash, copper-containing sludge, waste mineral oil, water treatment concentrated oil, etc.

The Company strictly abides by the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Directory of National Hazardous Wastes*, the *Measures for the Transfer Kupono of Hazardous Wastes*, the *Measures for the Recycling of Renewable Resources*, and other laws and regulations related to waste treatment and recycling. The Company entrusts qualified professional waste disposal organizations to handle non-hazardous wastes and hazardous wastes and evaluates and assesses the relevant organizations annually according to the norms.

In 2023, the Company invested RMB250,000 to renovate a plant as the hazardous waste warehouse of Xintai to address risks such as environmental leakage during transportation when Xintai and Shengtai share a common set of waste gas storage warehouses.

The Company actively promotes resource recycling by reusing 64,831 kg of steel and 1,214 kg of stainless steel in 2023, reducing the amount of non-hazardous wastes. In 2023, the Company initiated two environmental improvement projects, namely, the equipment to separate concentrated liquid oil, sewage, and sludge, and the drying equipment for copper-containing sludge with a cost of RMB1.2 million. The Company plans to reduce the water content in the evaporation concentrate and copper-containing sludge generated after the treatment of oily wastewater via specialized equipment, reduce the weight of hazardous wastes, enhance the utilization of hazardous wastes, and lower the impact on the environment.

Standards of Compliance for Waste Management	
(1)	*Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill* (GB18599-2001)
(2)	*Technical Specifications for Collection, Storage, Transportation of Hazardous Waste* (HJ2025-2012)
(3)	*Standard for Pollution Control on Hazardous Waste Storage* (GB18597-2023)
(4)	*Technical Specification for Setting Identification Signs of Hazardous Waste* (HJ1276-2022)
Up to standards or not: All up to standard.	

3. SOCIAL: FOCUS ON RESPONSIBILITY TO FOSTER QUALITY AND INNOVATION

3.1 High-quality products and services

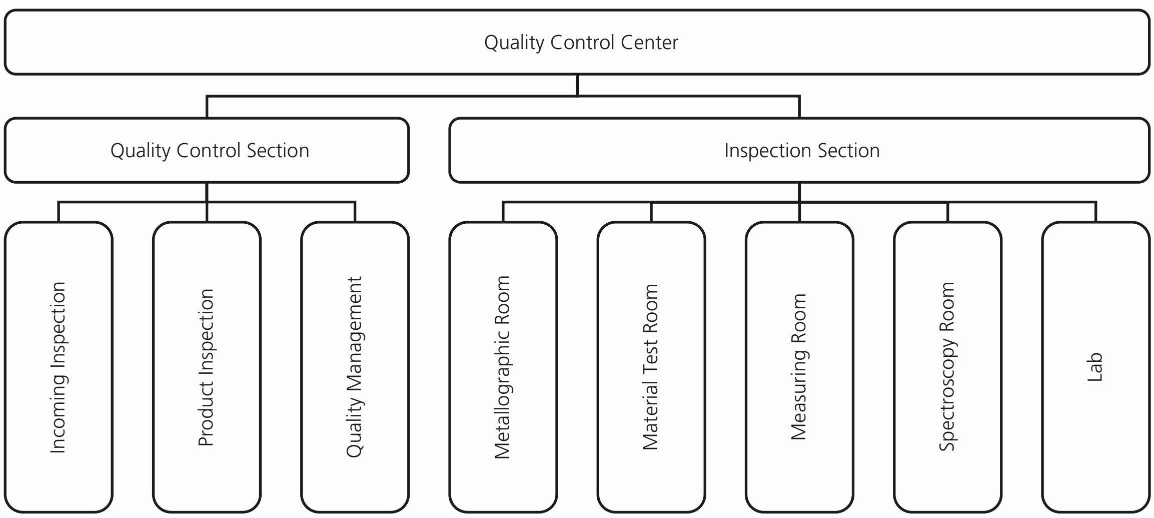
Product quality and safety

Xingye Alloy puts product quality in the important position of the Company's strategy and development and strictly abides by the *Product Quality Law of the People's Republic of China*, the *GB/T 2059 Copper and Copper Alloy Strip*, the *GB/T 2040 Copper and Copper Alloy Sheet*, the *GB/T 17793 Wrought Copper and Copper Alloy Plate, Sheet and Strip for General Purposes – Dimensions and Tolerances*, the GB/T 26301 *Copper-nickel-zinc Alloy Strips and Foils for Shield*, the *YS/T 1040 Copper-nickel-zinc Alloy Strips for Resonator*, the *YS/T 1082 Copper Strip for Lamp Frame* and other laws and regulations as well as industry standards and norms to manage production environments and continually provide customers with high-quality products.

In 2023, the Company optimized and improved the product quality management system in organization, system, audit, and accreditation.

The Company organizationally re-adjusted the functions of each section of the Quality Control Center based on actual production needs to improve the efficiency of product quality management.

Organizational Structure of Product Quality Management



The Company revised and added product quality-related documents to ensure the standardization and scientificity of product quality management from raw material purchase and production processing.

Product Quality-related Documents Revised or Added in 2023	
(1)	Adjustment of internal quality control documents to improve the quality of production and processing
	• **Supply blanks inspection: the *Standard for Quality of Welding Work-in-process*, the *Standard for Quality of Sawing Work-in-process*, the *Standard for Quality of Milling Work-in-process*, the *Standard for Quality of Semi-continuous Casting Work-in-process*, the *Standard for Quality of First Rolled Work-in-process*, the *Standard for Quality of Initial Trimming Work-in-process*, and the *Standard for Quality of Horizontal Continuous Casting Work-in-process*** • **Cold rolling inspection: the *Standard for Quality of Medium Finish Rolled Work-in-process*, the *Standard for Quality of Partial Cold-Rolled Treatment Work-in-process*, and the *Standard for Quality of Secondary Cold-Rolled Work-in-process*** • **Finishing inspection: the *Standard for Quality of Withdrawal Straightening Work-in-process*, the *Standard for Inspection of Finished Products*, and the *Standard for Inspection of Etched Finished Products***
(2)	Adjustment of documents related to supplier management to improve the quality of raw materials
	• **Raw material acceptance and control: the *Standard for Inspection of Raw Materials* and the *Process for Handling Raw Material Incoming Abnormalities*** • **Auxiliary material technical standard: the *Technical Standard for Covering Agent*, the *Technical Standard for Emulsified Oil*, the *Technical Standard for Degreasing Agent*, the *Technical Standard for Packaging Wooden Frame*, and the *Technical Standard for Passivating Agent*** • **Key auxiliary material technical agreement: The new auxiliary material technical agreement contains technical standards, acceptance criteria, and utilization standards**

The Company carried out many internal audits around product quality, confirming the operation of the product quality management system and the qualification of many types of product quality.

Internal Audits Conducted in 2023	
(1)	In February and August 2023, the Company applied VDA6.5 to audit 8 products two times, the QKZ index exceeded 95% except for the unqualified hot-dip tinning series of Shengtai audited in August. The Company rectified the existing defects according to quality control requirements.
(2)	In April and October 2023, the Company applied VDA 6.3 to audit 6 products two times, with the quality capability exceeding 90% in the mass production process.
(3)	In March 2023, the Company internally audited the IATF 16949:2016 and ISO 9001:2015 quality management systems to audit 17 processes identified by the Company as relevant to the quality management system.

The Company completed third-party audits and certifications for quality management systems such as ISO 9001:2015, IATF 16949:2016, and SCS RC.

External Audits and Certifications in 2023	
(1)	In July 2023, the Company commissioned a professional third-party certification authority to carry out the second supervisory audit of Shengtai and the re-certification audit of Xintai based on the IATF 16949:2016 quality management system for automobiles. The Company had 7 non-conformities in this year's audit, **all of which have been rectified and certified.**
(2)	In August 2023, the Company commissioned a professional third-party organization to externally audit the ISO 9001:2015 quality management system, the ISO 14001:2015 environmental management system, and the ISO 45001:2018 occupational health and safety management system, including the first supervisory audit for Shengtai and the re-certification for Xintai, **with two non-conformities being rectified and certified.**
(3)	In November 2023, the Company commissioned a professional third-party organization to audit the SCS RC Certification, with no non-conformities and obtained a certificate.

In 2023, the Company carried out 27 product quality improvement projects, of which 16 achieved better results, and the rest 11 projects with insignificant or unstable results will continue to be adjusted and improved. In 2023, the Company technically renovated a 500 kg high-frequency furnace and a 100 kg vacuum furnace, which improved product quality and material yield while ensuring the safety and efficiency of production operations.

In 2023, the Company organized technical management and employee training around product quality improvement, optimized the standardized inspection operation procedures for auxiliary materials, hot-dip plating, production work instructions, and product quality inspection, and completed the construction of the Failure Mode and Effects Analysis (FMEA) system. The Technology Center led in organizing 12 training sessions on product review, product process design, product scheduling, product maintenance, and tracking, with training attendance of 500, which effectively improved the professional quality and business capacity of production technicians.

Important Results for the Company's Product Quality in 2023

Objective	Completed or not
Quality objective	28 quality objectives, of which 19 met the objective and 9 did not
Refund rate	The average refund rate of 1.13%, 0.31% higher than the objective of 0.82%, the objective not met
Genuine product yield	The average genuine product yield of 61.67%, 1.19% higher than the objective of 60.48%, the objective met
Reform rate of key account	The reform rate of key account of 4.21%, 1.96% lower than the objective of 6.17%, the objective met

Product innovation

Xingye Alloy regards continuous innovation in products and technology as an important cornerstone of corporate development. Based on the scientific research policy of "R&D projects from the market and R&D results back to the market", the Company invested RMB173.89 million into research and development in 2023, making a series of achievements in team building, innovation incentives, product research and development, and school-enterprise cooperation.

The Company has 114 R&D personnel, including 33 people with bachelor's degrees or above, 3 doctoral students at the postdoctoral workstation, and 1 doctor leaving the workstation. The team members come from fields of materials engineering, metallurgical engineering, civil engineering, electrical automation, architectural engineering, CNC technology, etc. It cultivated one senior engineer, five members with intermediate titles, one senior chemical inspector, and one member with level 4/intermediate skill (CNC milling), and created an R&D team with diversified backgrounds and strong capabilities to support all kinds of scientific research and innovation.

The Company set up five categories of innovation awards based on the *Regulations on Employee Rewards* to support employees' research in combination with production practice and their strengths.

5 Categories of Innovation Awards of Xingye Alloy

Award	Reward description
Technological innovation award	Reward employees for innovations in processes, equipment, quality, cost, and safety that are closely related to production
Government project award	Reward employees for participating in high-level industrial science and technology award projects
Patent project award	Reward employees for participating in patent licensing and government-type patent projects
Standard project award	Reward employees for participating in standardization, revision, and government-type standard projects
Award for papers	Reward employees for publishing papers according to categories and grades

In 2023, the Company achieved many innovations in performance optimization, process innovation, and processing application of alloy materials, developed many new products, and achieved mass production of CuFe50 master alloy and related products, which provided downstream industries with more high-quality and diversified materials.

Product	Innovative value
High conductivity QSn5.8-0.15	The product explores a processing method suitable for high conductivity QSn5.8-0.15 alloy, which can regulate the strength and conductivity of the alloy
Fine grain H65	The product can improve the performance of the material in hardness and ductility by optimizing the alloy composition
High conductivity XYK-1	The product innovates a semi-continuous casting process, which helps to optimize a complete set of heat treatment processes to obtain highly conductive copper-iron-phosphorus substrates with excellent performance and quality
XYK-4 for high-precision etching materials	The product breaks through the technical bottleneck in the production of XYK-4 and improves the comprehensive performance and the yield rate
XYK-7 for thermal management	The product developed a new generation of copper alloy strips and foils for thermal management by optimizing the processing technology, which has a wide range of application prospects.
XYK-55 copper-iron alloy welding material	The product homogenously integrates copper and iron, applies to copper, iron, titanium, steel, and other materials, and can replace silver-containing solder for dissimilar metal welding
Copper-iron exothermic plate	The product is characterized by easy electrical conductivity, high thermal conductivity, high strength, abrasion resistance, and electromagnetic shielding, which can be widely used in electronic equipment
Copper alloy antimicrobial plate	The product can kill bacteria, with many experiments obtaining 99.99% of the significant antibacterial effect

The Company promoted industry-academia joint research and development with Central South University in 2023, achieved breakthroughs in key production technologies of double-70 alloys as well as high-performance copper-nickel-tin alloys in the laboratory, and carried out the trial for the intermediate stage based on the above achievements.

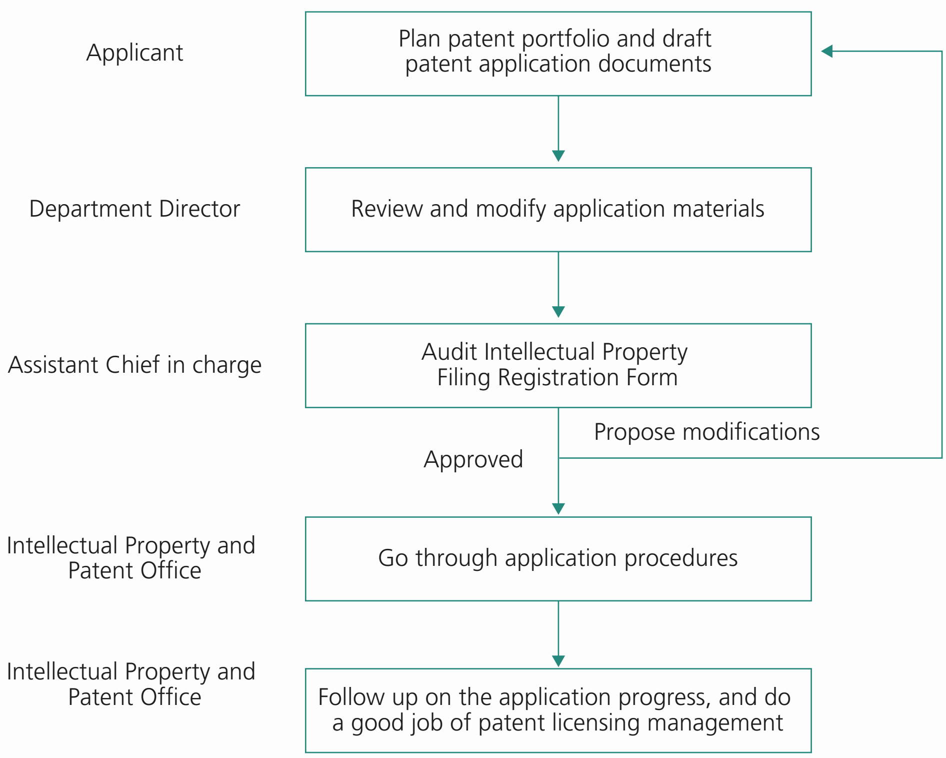
In 2023, Xingye Alloy gained widespread attention and recognition for innovative work from all sectors of society and achieved many scientific honors and awards.

Scientific and Technological Innovation Honors in 2023	
(1)	Xingye Alloy "XYK-36" was listed in the Third Batch of Key Industrial New Products in Ningbo City
(2)	Xingye Alloy ranked among the 2022 Ningbo Top 100 Enterprises in R&D Investment
(3)	Xingye Alloy was selected as one of the 2023 Ningbo Top 100 Enterprises (Comprehensive Enterprises/ Manufacturing Enterprises/Competitive Enterprises)
(4)	Xingye Alloy was honored as the 2023 National Intellectual Property Advantageous Enterprise
(5)	Xingye Alloy was selected for the List of 2023 Zhejiang Manufacturing Single Champion Cultivation Enterprises
(6)	Xingye Alloy won the Third Prize in 2022 Zhejiang Scientific and Technological Progress

Intellectual property protection

The Company complies with the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, and other laws and regulations, and formulates the *Patent Management System to* standardize the Company's intellectual property management, protection, and application, and build a system of independent intellectual property rights to protect the achievements of research and innovation, and avoid intellectual property disputes.

Patent Application Workflow of Xingye Alloy



In 2023, the Company conducted a Freedom to Operate Analysis (FTO) search for patents related to copper alloys of C70250, C64750, C19900, and C18140 to identify potential patent infringement risks. The Company had no relevant patent infringement risks upon retrieval analysis.

The Company regularly shares articles, cases, and latest policies on intellectual property protection through corporate WeChat, public accounts, and other channels, and organizes intellectual property thematic training for key departments to learn related laws and regulations, protection methods, and precautions and enhance employees' awareness of IPR protection.

In 2023, the Company had 5 authorized invention patents and 10 utility model patents, applying for 7 invention patents and 4 utility model patents.

Patent List of Xingye Alloy

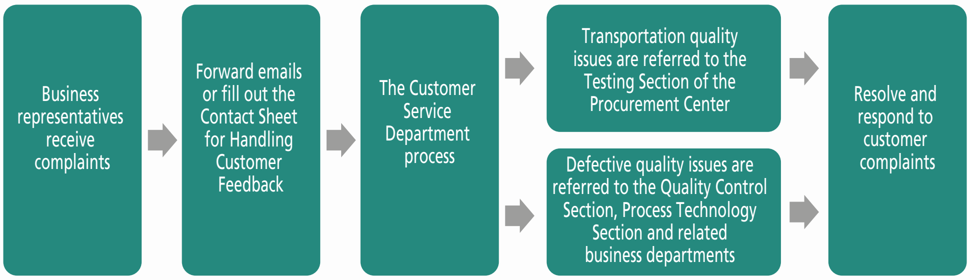
Authorized invention patents	Applied invention patents	Authorized utility model patents	Applied utility model patents
• A preparation method of copper-magnesium alloy strip for automotive relays • A method to produce large-size copper-titanium alloy ingots in non-vacuum • Copper alloy material and its application and preparation method • Copper-nickel-silicon alloy ingot and its manufacturing method • Copper-chromium alloy material and its preparation method	• A test method for stressing copper strips of lead frames for etching • Copper-nickel-silicon alloy ingot and its preparation method • A filtration circulation system and a water washing device with a filtration circulation system • Copper-chromium alloy material and its preparation method • Copper-chromium alloy corrosion solution and its application, detection method of copper-chromium alloy metastable phase • Copper-cobalt-silicon alloy ingot and its preparation method • High-strength and high-conductivity high-temperature resistant copper-zirconium alloy material and its preparation method	• A rolling mill coiler arm clamping-type support device • A new oil-water separator • A metal strip drying oven • A semi-automatic spreader mechanism • A horizontal spray tower • A lifting pickling tank • An annealing furnace with a zinc oxide cleaning mechanism • A crystallizer protective cover and a crystallizer with the crystallizer protective cover • A metal strip degreasing spray system • A tension roller device for metal strips	• A metal strip degreasing spray system • A tension roller device for metal strips • A metal strip washing device • A copper strip welding unit

Customer service

The Company works to provide safe, standardized and high-quality services to its customers. The Company formulated the *Procedures for the Property Control of Customers or External Suppliers* and the *Integrity and Integrity Management Procedures* to regulate the protection of customer information, as well as signing confidentiality agreements, etc. with customers in need to ensure their privacy and legitimate rights and interests.

The Company formulated documents relating to customer service process standardization including the *Customer Service Control Procedures*, the *Customer Complaints, Refunds and Claims Handling Procedures*, the *Management Process for Disposal of Finished Goods with Quality Problems*, to standardize the customer service in pre-sales, sales and after-sales.

Key Account Rating and Service Process of Xingye Alloy



The Company studied to formulate the *Regulations on the Management of Key Accounts* in 2023 and established the evaluation and service process of key accounts. The key account management system provides differentiated services for different customers, optimizes the allocation of resources and enhances the efficiency of value creation.

Key Account Rating and Service Process of Xingye Alloy

Workflow	Departments in charge	Working requirements
Organize customer information	Key Account Department, Marketing Department	Organize existing customer list and potential customers
Select key accounts	Key Account Department, Marketing Department	Select key accounts based on key industries, market share, industry visibility and future growth potential
Identify key accounts	Head of Marketing Center	Identify key accounts based on practical experience and prepare the R(8.2)009 Key Account List
Review the complete collection of customer service items	Key Account Department	Review the complete collection of customer service items based on internal status, competitions and customer needs
Match different customer service items	Key Account Department	Prepare the R(8.2)-010 Service and Cooperation Program for Key Accounts to serve high-quality customers with limited resources and enhance the efficiency of value creation

In 2023, the Company commenced the bulk supply after passing the supplier audit and certification of three internationally recognized end-users.

Industry communication

The Company commits to understanding the latest industry trends and technological developments, communicating with peers by participating in industry conferences, seminars, and exhibitions, continuously improving the Company's technology, management level and competitiveness, and boosting internal and external cooperation and development.

In July 2023, Xingye Alloy participated in Electronica China. By virtue of the exhibition platform, the Company mainly showcased 5 new alloy products that have realized mass production, and introduced its initiatives and plans in technological innovation, talent cultivation and market development. In this exhibition, the Company distributed 300 product brochures, and accepted interviews of the third-party media *International Cable & Connection*. Apart from exchanges with peers, it tends to exchange with potential customers to win new market opportunities, showing a good industry publicity effect.

Apart from participating in important industry exchanges, the Company promoted the development of six industry standards in 2023. One national standard, *Copper and Copper Alloy Strip and Foil for Terminals and Connectors* (GB/T 34497-2017) has been released, and the remaining five standards are still under review. As of the end of December, the Company has participated in the release of a total of 11 important standards, which has strongly promoted the development of the industry.

3.3 Supplier management

Supplier's quality management

The Company's suppliers are mainly categorized into two types: raw material suppliers and substance suppliers, which are coordinated by the Raw Material Purchasing Center and Substance Purchasing Center respectively. Raw material suppliers are divided into new material suppliers for manufacturing and sales suppliers, and substance suppliers are divided into Class I, Class II, Class III spare part suppliers and Class IV outsourcing parties.

To strengthen supplier management, in 2023, the Company revised its *Raw Material Procurement Control Procedures* to refine the management structure, supplier risk assessment requirements, annual performance assessment requirements, and management of suppliers after annual review.

Key Management Initiatives for Xingye Alloy's Suppliers

Main process	Main work content
Supplier development and assessment	• Search for raw material suppliers according to technical specifications and quality requirements of the products; • Qualification assessment: Assess new suppliers in various ways in respect of basic information, qualifications, products and services, labor and business ethics, environment and occupational health and safety, conflict minerals control, etc., and record the assessment results in the *Raw Material Supplier Risk Assessment Record*; conduct on-site assessment of new suppliers where necessary to further confirm whether they are ready to cooperate, and confirm whether they are qualified suppliers based on the assessment results; • Sample assessment: Purchasing personnel fill out the *Supplier Sample Assessment Form* based on the samples provided by the supplier, and submit it to the Quality Control Section, Technology Center/R&D Center for verification, and conduct batch purchasing after the samples are qualified through assessment;
Verification of procured products	• Internal verification: Inspectors check the material information, issue and submit the *EAS System Inspection Notice* to the raw material inspector for inspection in accordance with the *Raw Material Inspection Standards*; • Customer verification: The Company provides the information, or arranges the field verification according to the customer's requirements; • Verification of products from customer-specified sources: Verify the conformity or check the conformity of the supplier's products through regular second party reviews;
Supplier performance monitoring	• Score the supplier's product quality and delivery time, cooperation, excess freight, cost assessment, etc. based on the *Monthly Supplier Performance Assessment Form*. When the monthly performance is judged as "unqualified," the Company sends the *Rectification Report for Abnormal Quality* to the supplier, requesting the closure of the improvement matters within 2 months. In case of failure to close the improvement matters within the specified period, the Company will include the supplier in the *List of Pending Suppliers* and select new qualified suppliers; • Summarize the annual supplier performance assessment in the *Annual Supplier Performance assessment Form* based on the results of the year's supply performance monitoring. When the performance is unqualified for three times in the year, it will be reported to the Company's Purchasing Director for approval upon disqualification of the qualified supplier;

Main process	Main work content
Supplier quality management system development	• In every year, review the system certification status of qualified suppliers of raw materials for manufacturing, prepare the *Supplier QMS Development Plan* for suppliers that have not passed ISO9001 system certification, send the *QMS Development Plan Confirmation Letter* to suppliers to confirm their opinions, and follow up on the certification of suppliers' quality management systems;
Annual review of suppliers	• Conduct review according to the *Annual Supplier Review Plan*, issue the *Supplier Review Checklist* to suppliers who need to implement self-assessment, review and judge the review results according to the content filled by suppliers, and conduct on-site review according to the *Supplier Review Checklist*;
	• The Company disqualifies suppliers with annual review scores of less than 60%. In case of an intention for continuous cooperation, The Company needs to re-assess the supplier in accordance with the process of assessing and selecting new suppliers after determining that the supplier's product quality and delivery time have improved through several small batch verifications.

The Company provides training for suppliers on the list of qualified suppliers through the Internet or video telephone, or gives offline guidance in conjunction with quality control and process control during on-site reviews. During the reporting period, the content of the Company's training for suppliers mainly included product quality and environmental hazardous substance management regulations.

Supplier's environmental management

The Company actively implements the concept of green procurement and is committed to green supply chain development. In 2023, the Company revised the *Environmental Hazardous Substance Control Regulations* by adding a list of substances of very high concern (SVHCs).

The Company requires all suppliers to comply with the RoHS Directive (Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment), REACH ("**Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals**" in EU Laws), and environmental requirements that the Company needs to control. The Company and its suppliers sign the *Environmental Hazardous Substance Control Guarantee* to require that all products or materials supplied by suppliers to the Company comply with national and Company's standards for the restriction of environmentally prohibited substances. The Company conducts on-site environmental reviews for suppliers with high usage or risk according to their supply.

The Company puts forward the concept of "Green Metal" in terms of raw materials to optimize the resource structure and reduce the use of primary metals. In 2023, the Company used more than 30% of recycled zinc for smelting and 100% of recycled tin for smelting.

Supplier's social management

The Company adheres to the value of honesty and trustworthiness and prohibits commercial bribery in the procurement process. The Company has formulated the *Sunshine Procurement System*, the *Implementation Regulations on Integrity Management* and other systems. The Company signs the *Employee's Commitment to Integrity and Self-discipline* with all the employees of the Procurement Department and the *Integrity Agreement* with the suppliers to convey the principles of business ethics and honesty and integrity to the employees and suppliers.

For employees with improper behavior, the Company puts a reporting hotline and mailbox in place to protect the interests of suppliers. For suppliers violating integrity agreements and norms, the Company will pursue responsibility and terminate cooperation as appropriate, etc. In 2023, the Company controlled all suppliers of raw materials and key substances, and a total of 125 suppliers signed the *Integrity Agreement*. The Company explicitly prohibits suppliers from employing child labor and forced labor, and continuously supervises supplier partners to avoid employing child labor and forced labor.

Responsible mineral management

The Company publicly posts the *Conflict Minerals Statement* on its website. The Company is committed to ensuring compliance with the requirements of the Conflict Minerals Rule, and encouraging suppliers using conflict minerals to obtain relevant certification for the non-use of conflict minerals in smelters and refiners in accordance with relevant industrial initiatives.

With high responsibility sense, the Company makes reasonable efforts and measures to strictly require the suppliers to confirm whether there are conflict minerals in their products. In case of there are conflict minerals, the suppliers shall notify the source of the conflict minerals. The Company's measures include refining and improving internal processes and systems in accordance with the due diligence guidelines for responsible supply chains for mining in conflict-affected and high-risk areas adopted by the Organization for Economic Co-operation and Development ("**OECD**").

3.4 Employees' rights and interests & development

Employee hiring and benefits

The Company strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other laws and regulations, and has formulated the Recruitment Management System, the Dismission Management System, the Anti-harassment and Anti-abuse Management Provisions (Trial), the Wage and Compensation Management System, the Foreign Labor Protection Management System, the Management System for Protection of Special Groups of Employees, and the Internship and Apprenticeship Protection Management System, and 2023 Revision of the Anti-discrimination Management System, the Management System for the Prevention of Forced Labor, the Management System for the Prevention of Discipline, the Management System for the Prohibition of Child Labor, and the Management System for Third-party Recruitment Agents for better protection of the legitimate rights and interests of employees.

The Company adheres to the employment policy of equal employment and equal pay for equal work, and does not restrict the employment of others on the basis of nationality, race, ethnicity, gender, age, marriage and parenthood, religion, disability, etc. In 2023, the Company did not have any confirmed incidents of violation of laws and regulations on employment and labor practices, or incidents of hiring child labor or forced labor.

Total number of employees	**1,534 persons**
Ratio of male employees to female employees	Male: female = **4.3:1**
Signing rate of labor contracts	**100%**
Coverage of social insurance	**100%**

The Company gives every job applicant and employee equal treatment, ensures that hiring and career development are not affected by race, faith, gender, etc. It carries out diversified employee care activities to enhance employees' happiness and sense of belonging. The Company complies with the *Law on the Protection of Women's Rights and Interests*, the *Provisions on Labor Protection for Female Employees* and other laws, regulations and norms to protect the rights and interests of female employees. In 2023, the Company revised the *Management System for Protection of Special Groups of Employees* and the *Foreign Labor Protection Management System* to actively promote employee diversity. As of the end of the reporting period, the Company had 50 retired and rehired employees and 23 disabled employees.

The Company values employees' demands and sets up multi-channel communication methods to facilitate employees' voicing. In 2023, the Company formulated the *Employee Opinion Management System*, which further clarifies the ways and means of employees' opinion feedback. The system is intended to improve the employees' opinion complaints, opinion handling and responsibility of opinion handling, and the summarization and analysis of employees' opinions. In 2023, the Company carried out the annual satisfaction survey with the employee satisfaction of 81% for all-round understanding of employees' overall evaluation on the Company, and feedback and improvement.

The Company endeavors to balance the work and life of employees, investing a total of about RMB38,000 to support the development of cultural and sports activities for employees. It continuously organizes summer camps to create a good learning atmosphere for employees' children in the summer, and to solve the problem of unattended employees' children.

Benefits and Care Initiatives for Xingye Alloy's Employees

Type	Initiative
Life care	• Since March, the Company has hired a full-time physician to provide clinic consultations for 2 days a week. The medical care includes TCM acupuncture, pulse-taking, prescription, and health counseling, covering the entire Company's staff. Up to now, the number of consultations has exceeded 1,000. • The Company organized two dating activities in April and December in cooperation with other neighboring enterprises to create dating and interaction opportunities for the Company's unmarried employees. • In 2023, the Mutual Fund helped 72 employees in need, granting a total of RMB102,520.
Cultural and sports activities	• In March, the Company organized a tree-planting activity with the theme of "Creating a Century-old Store and Building a Green Home." • In May, the Labor Union formed a badminton club to provide members with uniforms, subsidies for individual racket purchases and daily training expenses. • The Company formed a cycling club in August to provide members with equipment such as helmets and uniforms. • The Company replaces the equipment with new ones in the gym and billiard room activity room. • The Company held a party performance, organized DIY handmade mooncake activities, and gave out gifts for employees who guessed the lantern riddles correctly on the Mid-autumn Festival.

Type	Initiative
Summer care program for employees' children	• Focusing on the theme of "Cultural and Sports Revitalization and Happy Work," the Company encourages employees' children to go out of the classroom. • Sports: the Company organizes a basketball summer camp and a football summer camp. • Cultural courses: The Company provides new programs like Chinese traditional culture, patriotic education and security awareness, so that the children of employees can effectively enhance their security awareness and self-defense and self-rescue ability by entering the security experience hall in the new district. • Outdoor study and handicraft classes: The Company leads employees' children into the Shanglin Lake Yue Kiln Celadon Museum, the Hemudu Site Museum and the New District Exhibition Hall to make Yue Kiln celadon wares and Hemudu pottery pots.

Occupational health and safety

The Company abides by the laws and regulations and relevant provisions like the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, the *Standards for Determination of Major Accidental Hazards in Industry and Trade Enterprises*, the *Guidelines for Prevention and Control of Safety Risks of Hazardous Chemical Manufacturing and Construction Projects (Trial)*, and the *Regulations on Prevention and Control of Occupational Diseases of Zhejiang Province*, etc. It has formulated the *Standards for the Issuance of Labor Protective Equipment*, the *Management System of Physical Examination of Employees*, and the *Management System of Occupational Health*, etc., to ensure employees' occupational health.

In 2023, Shengtai and Xintai passed the GB/T45001-2020/ISO45001:2018 Occupational Health and Safety Management System Certification. Shengtai's ISO45001:2018 certificate is valid until December 30, 2025 and Xintai's certificate is valid until August 2026.

In July 2023, the Company hired a third-party company to test the occupational disease hazards in the workplace. It identified the occupational disease hazards and sources generated in each production process by investigating the materials used in the work process, production process, production equipment condition, and the working condition of the laborers in the Company's workplaces, such as the noise generated by the employees in the die casting process, and smoke and high temperatures from heated metal. Based on the results and recommendations of the *Report on Detection of Occupational Disease Hazards in Workplaces*, the Company continuously maintains workshop equipment, ensures the use of protective equipment for workers in the workshop, and conducts occupational health inspections.

Occupational Health and Safety Management Practices of Xingye Alloy

Type	Practice
Educational training	• In 2023, the Company completed a total of 2 safety and health education trainings for whole staff. In February, the trainings focused on legal responsibilities on safety, implementation of safety duties, and occupational health protection, with a total attendance of 987. In November, the emphasis of the trainings was to educate the employees in terms of safety laws and regulations, and safety concepts through the pictures, videos, and other materials, and combined with the actual cases, with a total attendance of 1,119. • In 2023, the Company completed a total of 13 trainings for front-line managers to enhance their management skills, including training on special equipment safety and knowledge of hazardous chemical production, with a total attendance of 1,144.
Safety drills	• In 2023, the Company carried out 9 emergency drills, with a total attendance of 1,200, covering fire evacuation, hazardous waste leakage, hazardous chemical leakage, and special operations rescue. Through emergency drills, the Company identifies problems in the emergency plan and improves the plan, enhances the familiarity of the employees with the emergency plan, and improves their emergency response capability. • In October 2023, Shengtai organized a fire safety drill for whole staff to effectively improve employees' fire awareness and emergency response capability.
Examination competitions	• In 2023, the Company organized 1 safety knowledge competition to promote the Company's safety culture and improve the safety awareness and quality of the Company's employees.
Equipment guarantee	• The Company installed 25 high and low voltage detection alarm and interlock cut-off devices of natural gas combustion equipment. As of the end of December, the Company has completed the installation of a total of 25 alarm and cut-off devices of natural gas combustion equipment. • The Company remodels the collection hoods in use, reinforcing the whole structure to avoid heat loss due to the original thin structure and poor thermal insulation, as well as a rise in ambient temperature detrimental to the occupational health of employees.

Type	Practice
Physical examination	• The Company invites health and wellness experts to deliver 1 presentation. • The Company fully implements the process of pre-employment, in-employment and out-of-employment physical examination for occupational diseases.

In July 2023, the Company commissioned a third party to prepare the *Safety Status Assessment Report of Ningbo Xingye Shengtai Group Co., Ltd. (with 105,000 tons of electronic lead frame materials, 50,000 tons of high-precision bronze and white copper strips, 53,000 tons of high-performance copper-nickel and copper-iron alloy plates and strips)*, to improve the Company's identification of safety risks and to strengthen the risk management and control.

For the problems identified during the safety status assessment by the third party and design and diagnosis of safety facilities for environmental protection equipment, the Company made rectification and made a closed loop. It has formulated the *Rectification Confirmation of Hidden Dangers Identified in the Safety Status Assessment Report of Ningbo Xingye Shengtai*, the *Rectification Confirmation of Hidden Dangers Identified in the Safety Status Assessment Report of Ningbo Xingye Xintai*, the *Rectification Confirmation of Problems Identified in the Design and Diagnosis of Safety Facilities for Environmental Protection Equipment of Ningbo Xingye Shengtai Group Co., Ltd.*, and the *Rectification Confirmation of Problems Identified in the Design and Diagnosis of Safety Facilities for Environmental Protection Equipment of Ningbo Xingye Xintai New Electronic Materials Co., Ltd.*

Employee training and development

The Company lays emphasis on the comprehensive development of talents, and has formulated the *Training Management System*, the *Internal Instructor Management System*, and the *Academic (Degree) Upgrading Education Management System* and the *Employee Assessment Management System* to clarify the management and establishment of the training. These systems are intended to guide and motivate the growth of all kinds of talents, and to empower the employees' development. In 2023, the Company revised the *"Industrial Craftsmen" Selection Management Measures*, expanding the scope of selection to all regular employees of the Company. It optimized the selection criteria and process, and raised the award standard to vigorously promote the spirit of craftsmanship and the establishment of the Company's highly skilled workforce.

Talent Development Initiative of Xingye Alloy

Type	Initiative	Achievement
Internal instructor system	• Hire 19 internal instructors into the internal trainer team; • Provide internal instructor ability improvement courses such as the *Internal Instructor Course Development* and the *TTT Training*; • Update and maintain over 30 internal instructor courseware, and record video courseware; • Focus on quality control, purchasing, process, equipment, sales, customer complaints, product knowledge and so on.	• A total of 36 internal trainings were held, with 40h of training hours, a 166% YoY increase; • The average internal training satisfaction score was 90.9, with a maximum score of 99.6.
Apprenticeship	• Monitor the implementation of the instructional program in each business department on a daily basis, and understand the dynamics in the employee's probationary process through daily communication and questionnaires.	• A total of 378 mentor-apprentice pairs were formed in each business department; • Monthly subsidies paid to the mentors totaled RMB108,592; • The average satisfaction score was 96.34, up 3.44 scores from 2022; • Employee turnover rate declined, down 1% from 2022, realizing a fourth consecutive year of decline.
Formidable task team series training	• Improve the management cognition and ability of the Company's middle and senior managers, and accept the Company's reserve force to bolster subsequent echelon establishment and growth; • Forms of training: Offline training offered by external instructors, online courses, book talks, outdoor development, study trips, etc.	• Three courses were provided in September, October and December, totaling 36 hours.

The Company organized a total of 115 trainings in 2023, covering safety training, operation skill improvement training, professional skill improvement training, management training, quality training, system training, process training, and new employee training. The training attendance totaled 21,124, up 8.3% compared with 2022; there were 110,987.8 training hours, up 7.4% compared with 2022. The satisfaction score in 2023 was up 0.6 scores compared with 2022, and the highest satisfaction score was up 6.6 scores.

3.5 Building better communities together

In 2023, in the concept of "What Is Taken from the Society, Is Used in the Interest of the Society," the Company carried out a number of social welfare and charitable activities, and actively contributed to the society.

2023 Key Social Welfare Activities of Xingye Alloy
• On May 31, the Party Committee of the Company joined hands with the associate organizations in the new district to make donations to a book corner in Dongyi Primary School, with a total of more than 100 books valued at RMB4,000 donated.
• On September 9, the Party Committee of the Company donated 10 printers with a total value of RMB10,000 to Bai Lu Group.
• On October 9, the Party Committee of the Company donated 15 sets of school uniforms valued at RMB1,800 to Dongyi Primary School.
• On October 18, 10 members of the Company's Wild Cotton Volunteer Service Team gave the Double Ninth Festival condolences to 16 elderly persons of no family in Matanlu Village, offering them quilts, food and others, valued at a total of RMB8,000.

4. GOVERNANCE: STRENGTHENING GOVERNANCE AND DEEPENING RESPONSIBILITY MANAGEMENT

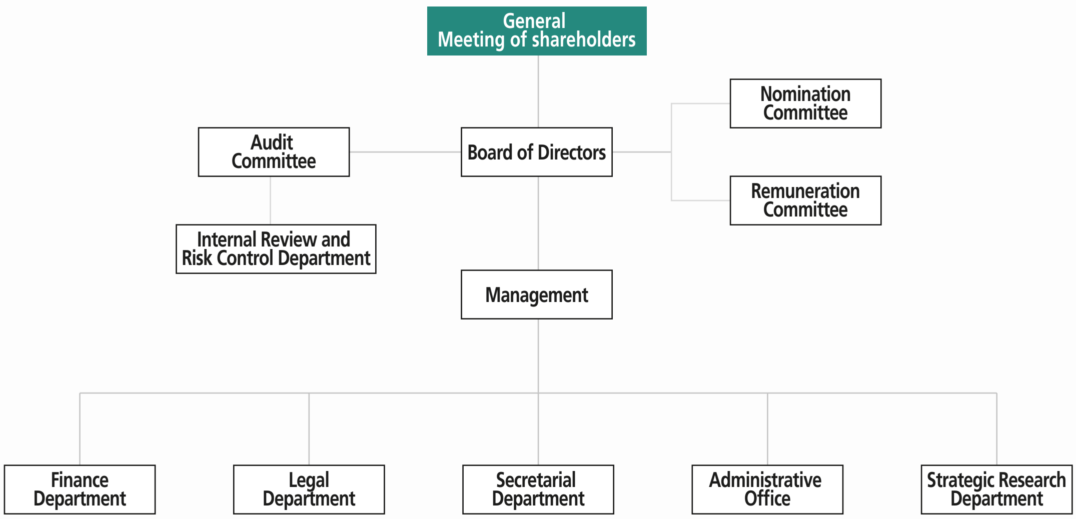
4.1 Corporate governance

Governance structure

The Company strictly complies with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Listing Rules of Securities on the Stock Exchange of Hong Kong Limited*, the *Model Code for Securities Transactions by Directors of Listed Issuers*, and other laws and regulations, and has formulated the *Shareholders' Communication Policy*, the *Written Terms of Approach to the Independent Opinion of the Board of Directors*, and the *Remuneration Policy for Group Directors*. In the *Articles of Association* and the *Articles on the Written Functions of the Board of Directors and the Management*, the Company stipulates the rules for the management of shareholders, the general meeting of shareholders and the Board of Directors, and ensures that the Board of Directors plays a full role in major decision-making and operation and management. The Company has formulated the *Written Terms on the Division of Responsibilities Between the Chairman and the Chief Executive Officer* to clearly distinguish the responsibilities of the Chairman and the Chief Executive Officer. In 2023, the Board of Directors of the Company proposed to amend the *Memorandum and Articles of Association* of the Company, and the amendment was approved at the EGM held on 15 December 2023.

The Company establishes the governance structure of "General Meeting of Shareholders, Board of Directors, Board of Supervisors, and Senior Management" and actively promotes the diversity and independence of the Board of Directors to ensure that the Company operates in a standardized manner under scientific, standardized and transparent governance. The Company selects, appoints and removes directors and supervisors in accordance with the provisions of the *Articles of Association*. The Board of Directors of Xingye Alloy has Review Committee, Remuneration Committee and Nomination Committee affiliated to it.

Management Structure



During the reporting period, the Board of Directors comprised three executive directors and three independent non-executive directors. The Company regularly reviews the scale and composition of the Board of Directors to ensure that it is well-balanced and that each of the directors boasts a wealth of knowledge, experience and expertise in relation to the operation and development of the Group's business. Each of the executive directors has the responsibility to monitor and oversee the management of specific areas and to implement the strategies and policies set by the Board of Directors. As at the end of 2023, the Board of Directors held a total of 4 meetings of the Board of Directors, including 2 regular meetings of the Board of Directors.

Protection of investors' rights and interests

The Company convenes and holds regular general meeting of shareholders in strict accordance with the *Articles of Association* and other provisions to ensure that shareholders have the right to be informed of and participate in the Company's material matters as stipulated in laws, administrative regulations and the *Articles of Association*.

In respect of information disclosure, the Company has formulated the *Disclosure Policy* to regulate the mechanism and process of information disclosure, the persons involved and their relevant duties. Directors shall immediately inform the Board of Directors if they become aware of any information that may constitute inside information or any information that is required to be disclosed. Employees at different levels shall have the same responsibility to identify and submit such information to their immediate leaders or to the Chief Executive Officer (as the case may be).

Xingye Alloy Disclosure Process

Information reporting process and stakeholders	Stakeholder responsibilities
Board of Directors (Or a person designated by the Board of Directors)	• Review all relevant details • Decide whether disclosure is required • Approve announcements and related actions to disclose information (if applicable)
Company secretary Chief Financial Officer	Chief Financial Officer • Review relevant details • Review the applicability of the *Safe Harbor Provisions* • Seek professional advice • Monitor disclosure procedures (if applicable) • Monitor the maintenance of information confidentiality • Recommend appropriate action to the Board of Directors Company secretary • Assist in the above matters • Prepare announcements (if applicable)
Business department and department head	• Check and assess details reported by employees • Identify potential inside information • Submit all relevant details to the Chief Executive Officer and Company Secretary • Monitor the maintenance of information confidentiality
Business department and department employees	• Collect and organize all relevant details • Report to your immediate leader (if applicable) • Keep information confidential

To ensure that all shareholders have timely access to important corporate information, the Company uses its corporate website to communicate information like announcements, circulars, annual and interim reports to shareholders. Any information or documents published by the Company on the Stock Exchange's website will be published in the "Investor Relations" column of the Company's website (www.xingyealloy.com). Other corporate information relating to the Company's business development, strategic objectives, corporate governance and risk management is available on the Company's website.

The Company has updated the provisions of the *Core Shareholder Protection Standard* in accordance with the *Articles of Association*. The Company's website contains a contact address and a contact number for shareholders to make inquiries to the Board of Directors. Shareholders may make inquiries to the Board of Directors through the Company Secretary, who will forward such inquiries to the Board of Directors for handling.

To regulate related-party transactions and reduce unnecessary related-party transactions, and prohibit the Company's controlling shareholders, actual controllers, directors, supervisors and senior management from using related-party transactions to harm the interests of the Company and minority shareholders, the Company has formulated and continuously improved the *Articles of Association*. It makes detailed provisions for the deliberation and disclosure of related-party transactions, and the avoidance system to ensure the fairness and impartiality of the Company's related-party transaction decisions to all shareholders.

4.2 Risk management

The Company strictly complies with the *Securities and Futures Ordinance*, the *Listing Rules of Securities on the Stock Exchange of Hong Kong Limited*, the *Guidelines on Disclosure of Inside Information* and other relevant regulations and requirements, and continuously establishes and improves the internal control system of the Company to enhance the Company's risk management. The Company has formulated the *Internal Audit System* to ensure that all kinds of risks, including financial risks and operational risks, are always controllable.

Organizational Structure of Risk Management and Internal Control of Xingye Alloy

Name	Responsibilities
Board of Directors	Assess and determine the nature and extent of the risks acceptable to achieve the Group's strategic objectives, including, among other things, significant risks relating to environment, social and governance ("**ESG**").
Audit Committee	Oversee management's design, implementation and monitoring of risk management and internal control systems.
Management	Design, implement and maintain appropriate and effective risk management and internal control systems to monitor risks (including environmental, social and governance risks) and take measures to mitigate daily operational risks.
Risk Management and Internal Review Department	Review the adequacy and effectiveness of the Group's risk management and internal control systems, and report the results of the review to the Review Committee and make recommendations to the Board of Directors and the management for improvement of material weaknesses.

The Board of Directors is responsible for maintaining the Company's internal control system for risk management. The Board of Directors has delegated its risk management and internal control responsibilities (and related powers) to the Review Committee. Risk management and internal control systems are designed to manage but not eliminate the risk of failure to achieve business objectives and provide reasonable, but not absolute, assurance against material misrepresentation or loss.

Risk Management Action Priorities of Xingye Alloy

Risk identification and assessment	Risk monitoring and reporting
• Identify risks that could potentially affect the Group's business and operations; • Assess identified risks using assessment criteria developed by management; • Consider the impact of risks on the business and the likelihood of their occurrence.	• Continuously and regularly monitor the risks and ensure that appropriate internal control procedures are in place; • Revise the risk management strategy and internal control procedures when significant changes occur; • Report regularly to management and the Board of Directors on the results of the monitoring.

In 2023, the Company identified risk points including project development, production process, delivery management, operation planning, internal review, environmental safety planning, human resource management, equipment management, etc. Each risk point was under the control of the management department and countermeasures were clearly defined.

List of Significant Risks of Xingye Alloy in 2023

Type	Risk Point	Countermeasure
Project development	• New product development is unsuccessful, and new product feasibility plan fails. • Customers' higher product quality standards and corresponding higher requirements in delivery cycle lead to the loss of customer trust, resulting in the customer churn. • Failure to apply for effective patent protection for the new developed products in time leads to other companies producing a large number of similar products.	• Conduct feasibility studies for new product selection, collect information on similar products as much as possible, and discuss with the expert team. • Seek technical support from and actively cooperate with external scientific research institutions; design the process program in time after the order is placed, and communicate the progress with the production employees in time. • Provide training to developers to cultivate their patent awareness; sort out all the new products at present and make plans for patent application for new products.

Type	Risk Point	Countermeasure
Production process	• Product defects and large abrasions result in a low yield, increasing production costs and affecting production efficiency. It causes failure to meet customer demand. The unsatisfactory incoming materials and large abrasions give rise to a low yield.	• Personnel must undergo appropriate skill training before starting work, and obtain qualified results. It is recommended to timely develop and modify production process documents in time to ensure the suitability of documents.
Delivery management	• Customer payments can not be recovered in time and order volume declines. The return rate at the end of the month is ≥95%. The customer payment cannot be recovered in time, which may form bad debts, resulting in price fixation and order demand decline, and overstock of finished products.	• Marketing personnel shall actively communicate with customers, finance personnel and credit insurance company. Marketing personnel shall track and report the payment from time to time, communicate with the credit insurance company, extend the payment period, and strive for no risk in case of abnormalities. They shall ensure customers to extend the payment period as agreed, accept the fixed price and finished product inventory, and maintain orders.
Operation planning	• Information system risk: Leading to damage to the Company's EAS database, business interruption and poor business operation.	• Build a sound basic enterprise platform (network, server) and related operation and maintenance management system. Regularly assess the vocational skill learning of departmental job holders in accordance with the enterprise information technology-based planning to achieve the basic prerequisite of the professional technical level of enterprise information technology-based development.
Internal review	• Non-conformities found during internal review are not rectified within the specified time limit.	• Follow up the progress of the completion of non-conformities in each system meeting, prompt the department director to urge the completion. Assess non-conformities which are completed beyond the deadline in accordance with the assessment requirements in the document *Management System Operation Effectiveness*.

Type	Risk Point	Countermeasure
Environmental safety planning	• Safety accidents occur during inspection or testing	• Strengthen supervision and urge employees to wear protective equipment as required; conduct safety training, inform employees of the hidden safety hazards and dangerous areas, and improve employees' safety awareness; train and supervise employees to eliminate illegal operation.
Human resource management	• Employment-related legal risks affect the Company's interests and reputation, and even cause illegal compensation losses.	• Based on the corresponding laws and regulations, formulate the code of conduct for employees, arrange employees to participate in meetings organized by the relevant departments at higher levels from time to time to make them keep abreast of the latest regulations and requirements for updating the code of conduct, and train them in the knowledge of laws.
Equipment management	• Equipment safety accidents cause serious economic and other losses to the enterprise	• Provide railings for existing equipment, regularly perform spot check and maintenance; carry out safety education and training in the workshop every month; conduct regular maintenance of special equipment.

4.3 Compliance management

Compliance operation

Compliance operation is deemed as the foundation for the Company to fulfill its social responsibility, and the Company is committed to achieving long-term sustainable development in a fair and competitive market environment.

Laws and Regulations that Xingye Alloy Complied With in 2023

Type	Description
Product quality	*Product Quality Law of the People's Republic of China*, etc.
Customer service	*Law of the People's Republic of China on Consumer Rights and Interests*, etc.
Intellectual property protection	*Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China*, etc.
Environmental protection	*Law of the People's Republic of China on Environmental Protection, Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Pollution from Solid Wastes, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Promotion of Clean Production, Law of the People's Republic of China on Energy Conservation*, etc.
Employment and labor	*Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Social Insurance Law, Law on Mediation and Arbitration of Labor Disputes, Labor Union Law, Law on the Protection of Women's Rights and Interest, Measures for the Protection of Female Workers and Employees in Zhejiang Province*, etc.
Occupational health and safety	*Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Regulations on Prevention and Control of Occupational Diseases in Zhejiang Province*, etc.
Business ethics	*Criminal Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, Interim Provisions on Prohibiting Commercial Bribery, Chinese Internal Auditing Standards, Basic Standard for Enterprise Internal Control*, etc.

In 2023, the Company did not violate any laws and regulations related to product quality, customer service, intellectual property protection, environmental protection, and employee employment.

Anti-corruption and anti-bribery

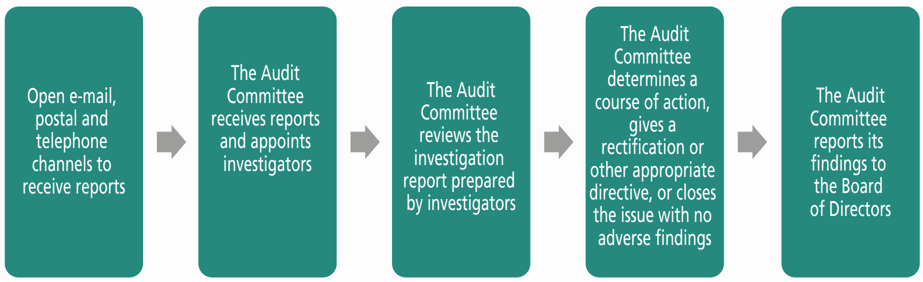
The Company strictly abides by the *Interim Provisions on Prohibiting Commercial Bribery*, the *Anti-money Laundering Law of the People's Republic of China*, the *Overseas Anti-corruption Law* and other laws and regulations, and has formulated the *Integrity Management Procedures*, the *Gift Management System*, the *Sunshine Procurement System* and other systems. It executes the management of ex ante prevention and ex post supervision against corruption with strict standards. The Company issued the *Overseas Anti-bribery Management System* and the *Integrity Management System* in May 2023.

Anti-corruption Training of Xingye Alloy in 2023

The Company's Board of Directors conducted training related to anti-corruption on March 31, 2023, and the Board of Directors and senior management requested the heads of the Group's subsidiaries to conduct comprehensive anti-corruption training. During the reporting period, the Company conducted two whole-staff trainings, including:

✓ Conduct a whole-staff training from May 10 to May 16 for the *Overseas Anti-bribery Management System*.
✓ Conduct a whole-staff training from May 25 to June 8 for the *Integrity Management System*.

Reporting and Handling Process of Xingye Alloy



With zero tolerance for corruption, the Company safeguards its legitimate rights and interests in accordance with the law. In 2023, the Company engaged in neither corruption, bribery, extortion, fraud and money laundering nor any litigation cases arising from said practices.

5. KEY QUANTITATIVE PERFORMANCE TABLE OF ESG

Social performance

Number of employees

Indicators		Unit	2021	2022	2023
Total number of employees		Person	1,391	1,405	**1,534**
By gender	Male	Person	1,156	1,159	**1,247**
	Female	Person	235	246	**287**
By type of employment	Labor contract	Person	1,349	1,359	**1,488**
	Other forms of employment[1]	Person	42	46	**46**
By age group	>50 years old	Person	227	249	**263**
	30-50 years old	Person	825	832	**937**
	<30 years old	Person	339	324	**334**
By region	Employees from Chinese mainland	Person	1,384	1,398	**1,527**
	Overseas employees[2]	Person	7	7	**7**

Note 1: Employees in other forms of employment include retired and rehired employees and part-time employees.

Note 2: The number of overseas employees is counted as the number of employees whose workplace is overseas.

Employment and labor practices

Indicators		Unit	2021	2022	**2023**
Employee turnover rate[1]		%	22.07	20.06	**21.68**
By gender	Female	%	12.50	23.46	**21.68**
	Male	%	24.00	19.34	**21.42**
By age group	>50 years old	%	9.01	7.38	**8.73**
	30-50 years old	%	16.57	18.84	**15.73**
	<30 years old	%	43.95	32.72	**45.05**
By region	Employees from Chinese mainland	%	22.07	20.06	**21.68**
	Overseas employees	%	0	0	**0**
Number of labor disputes		No.	0	0	**0**
Fund investments for various types of subsidies, free shuttle buses and accommodation		RMB10,000	329	358	**400**
Number of beneficiaries of various types of subsidies, free shuttle buses and accommodation		Person	2,951	3,052	**3,180**
Employee satisfaction survey results		Score	80.0	79	**81**
Number of employees engaged in positions with occupational disease risk		Person	546	579	**582**
Number of employees suffering from occupational diseases		Person	0	0	**0**
Incidence of occupational diseases		%	0	0	**0**
Proportion of participants of occupational physical examinations in employees engaged in positions with occupational disease risks[2]		%	100	100	**100**
Number of work-related fatalities		Person	0	0	**0**
Rate of work-related fatalities		%	0	0	**0**
Lost days due to work injury		Day	560	220	**180**
Total investment in safe operation		RMB10,000	550	600	**650**
Employees' attendance of work safety trainings		No.	2,280	2,500	**2,800**
Number of work safety trainings		Time	91	114	**118**
Number of emergency drills		Time	8	8	**7**
Number of employees participating in emergency drills		No.	212	232	**239**
Number of incidents of violation of safety laws and regulations		Time	0	0	**0**
Number of major accidents		No.	0	0	**0**
Employee training coverage		%	100	100	**100**
Male employee training coverage[3]		%	100	82.59	**80.99**
Female employee training coverage[3]		%	100	17.41	**19.01**
General employee training coverage[3]		%	100	86.17	**86.86**
Mid-level employee training coverage[3]		%	100	9.1	**8.29**
Management training coverage[3]		%	100	4.73	**4.85**
Average number of hours of training per capita per year for all employees		Hour	26.30	26.90	**28.35**

Indicators	Unit	2021	2022	**2023**
Average number of hours of training per capita per year for male employees	Hour	25.95	26.43	**28.19**
Average number of hours of training per capita per year for female employees	Hour	28.24	29.15	**29.01**
Average number of hours of training per capita for general employees	Hour	24.53	25.21	**25.60**
Average number of hours of training per capita for mid-level employees	Hour	40.42	40.70	**49.02**
Average number of hours of training per capita for management	Hour	37.28	38.80	**42.28**

Note 1: Employee turnover rate is calculated according to the following formula: Employee turnover rate by category = number of employees in this category lost during the year/number of employees in this category at the end of the year × 100%.

Note 2: The proportion of participants of occupational physical examinations in employees engaged in positions with occupational disease risks is calculated according to the following formula: Number of employees engaged in positions with occupational disease risk/number of employees participating in occupational disease examinations × 100%.

Note 3: The calculation of the employee coverage has changed, and the formula for 2022 has been updated to: Number of employees trained under this category/total number of employees trained × 100%.

Supply chain management performance

Indicators		Unit	2021	2022	**2023[1]**
Total number of suppliers		No.	801	796	**851**
By region	Local suppliers	No.	792	785	**832**
	Overseas suppliers	No.	9	11	**19**
Number of supplier inspections		Time	37	49	**61**
Number of suppliers assessed for environmental, labor, and ethical performance in accordance with the Company's supplier assessment system[2]		No.	37	49	**61**
Duration of supplier compliance training		Hour	8	8	**9.5**
Number of suppliers participating in compliance training		Person	16	16	**71**

Note 1: In 2023, the data of the Raw Material Purchasing Center was added to the Company's supply chain statistics, so they have increased significantly compared to the data in 2022.

Note 2: In 2023, the Company increased on-site assessment due to the absence of public health incidents and adjusted the *Spare Part Supplier Review Checklist* to include assessment items on linkage, labor, and ethics, resulting in a significant increase in the data for 2023 compared to 2022.

Product liability performance

Indicators	Unit	2021	2022	2023
Percentage of total products sold or shipped subject to recalls for safety and health reason	%	0	0	**0**
Number of customer complaints received on product quality or service	Time	1,129	1,263	**1,462**
Complaint handling rate[1]	%	100	100	**100**

Note 1: The complaint handling rate is calculated according to this formula: × 100%.

R&D innovation performance

Indicators	Unit	2021	2022	2023
Fund investment in technological innovation and R&D	RMB10,000	14,243	13,242	**10,758**
Amount of incentives and subsidies granted by the State for technological innovation and R&D	RMB10,000	962	705	**935.70**
Number of patent applications	No.	6	10	**6**
Number of patents granted	No.	3	8	**12**

Anti-corruption performance

Indicators	Unit	2021	2022	2023
Number of cases of corruption proceedings against the Company and employees	Time	0	0	**0**
Number of reports received from employees	Time	0	0	**0**
Number of employees receiving anti-corruption training	Person	1,420	1,490	**1,568**
Anti-corruption training hours for employees	Hour	2,850	2,980	**3,136**
Number of senior managers participating in anti-corruption training	Person	24	26	**26**
Number of mid-level managers participating in anti-corruption training	Person	87	87	**87**
Number of front-line employees participating in anti-corruption training	Person	1,271	1,283	**1,360**
Attendance of the Board of Directors in anti-corruption training	No.	3	6	**6**
Anti-corruption training hours for the Board of Directors	Hour	6	18	**18**

Community investment performance

Indicators	Unit	2021	2022	2023
Total amount of public welfare investment[1]	RMB10,000	26.00	12.00	**57.89**
Including: Charitable donation investment[1]	RMB10,000	4.00	11.7	**50.0**
Number of employees participating in volunteering services[2]	No.	86	550	**280**
Hours of employees' volunteering services[3]	Hour	586	1,700	**700**

Note 1: In 2023, the Company donated RMB0.5 million to a state-owned organization to support the development of big data.

Note 2: In 2022, the Company actively participated in the volunteering services organized by the New District, and the Company carried out volunteering services throughout the year, while there was no such activity in 2023, thus the number of participants in 2023 decreased significantly compared to 2022.

Note 3: In 2022, the Company actively sent employees to participate in government-organized activities regarding the 20th National Congress of the Communist Party of China. There were no volunteering services organized due to public health events in 2023, so there was a significant decrease in the hours of employees' volunteering services in 2023 as compared to 2022.

Environmental performance

Indicators[1]		Unit	2021	2022	**2023**
Total power consumption		MWh	217,230	209,249	**206,231**
Including: Total solar power generation		MWh	6,563	6,672	**11,400**
Total natural gas consumption		m^3	14,213,240	12,806,233	**11,610,000**
Water consumption		m^3	450,000	350,000	**370,000**
Recycled water consumption		m^3	395,483	422,000	**346,000**
Proportion of water resources recycled		%	91	92	**93.51**
Electricity consumption per unit of product		kWh/t product	1,384.90	1,507.65	**1,494.88**
Natural gas consumption per unit of product		m^3/t product	91	92.27	**84.16**
Comprehensive energy consumption per unit of product (electricity + natural gas)		kWh/t product	2,365.50	2,430.34	**2,336.44**
Water consumption per unit of product		m^3/t product	3	2.52	**2.68**
Fuel consumption of shuttle buses for employees and cars for the Company	Diesel	l	1,819,089	161,500	**184,545**
	Gasoline	l	30,108	33,501	**35,050**
Total amount of packaging materials used for shipment of finished goods		t	3,594	3,538	**3,763**
Including: Use of packaging materials (wood) for finished goods		t	1,840	2,988	**3,151**
Including: Use of packaging materials (paper core) for finished goods		t	505	550	**612**
Density of packaging materials used for shipment of finished goods		kg/t product	22.91	25.49	**27.28**
Industrial wastewater discharge		m^3	54,517	38,000	**41,338**
Density of industrial wastewater discharge		m^3/t product	0.35	0.27	**0.30**
Hazardous waste generation		t	1,438	1,334	**1,644**
Density of hazardous waste generation		kg/t product	9.17	9.61	**11.92**
Non-hazardous waste generation		t	3,604	3,590	**3,765**
Density of non-hazardous waste generation		kg/t product	22.97	25.87	**27.29**
Scope 1 total greenhouse gas (GHG) emissions[2]		t CO_2e	35,792.89	28,369.01	**25,830.78**
Scope 2 total GHG emissions[3]		t CO_2e	122,397.53	115,529.78	**115,768.58**
Total GHG emissions		t CO_2e	158,190.42	143,898.79	**142,923.34**
GHG emission intensity		t CO_2e/t product	1.01	1.04	**1.04**
Number of penalties imposed for pollutant discharge violations		Time	0	0	**0**

Note 1: The unit product indicator is accounted for as the total amount of electricity, natural gas and water consumed per ton of product produced. The density indicator is calculated as the total amount consumed/generated/emitted during the year divided by the total number of tons produced during the year.

Note 2: Scope 1 GHG emissions are derived from the Company's natural gas, gasoline and diesel consumption. For the natural gas-related emission factors, please refer to the *China Energy Statistical Yearbook* (2022) and the *Guidelines for the Preparation of Provincial GHG Inventories (Trial)* (2011). For the gasoline and diesel-related emission factors, please refer to the factors in the March 2022 update of the Stock Exchange of Hong Kong's *How to Prepare an Environmental, Social and Governance Report – Appendix II: Guidelines for Reporting on Key Environmental Performance Indicators*.

Note 3: Scope 2 GHG emissions are derived from purchased electricity other than solar power. The indicator is calculated based on electricity consumption data and the grid emission factor. In 2021, the emission factor adopted the national average grid emission factor of 0.5810 t CO_2/MWh (data source: from the *Guidelines on Enterprises Greenhouse Gas Emissions Accounting and Reporting-Power Generation Facilities* (Revised in 2022) of the Ministry of Ecology and Environment of the People's Republic of China). The calculation of 2022 and 2023 was based on the *Notice on the Management of GHG Emission Reporting for Enterprises in the Power Generation Sector in 2023-2025* issued by the Ministry of Ecology and Environment of the People's Republic of China. The grid emission factor is taken as 0.5703 t CO_2/MWh.

6. INDEX OF THE STOCK EXCHANGE OF HONG KONG'S ESG REPORTING GUIDE (VERSION EFFECTIVE FROM DECEMBER 31, 2023)

Part B: Mandatory Disclosure Requirements

Mandatory Disclosure	Section
Governance structure	Corporate Governance, ESG Governance Structure
Reporting Principles	About the Report
Reporting Boundary	About the Report

Part C: "Comply or explain" Provisions

Aspects, General Disclosures and KPIs	Section
A. Environmental	
A1. Emissions	Environmental management, Emissions and waste management
A1.1	Environmental performance
A1.2	Environmental performance
A1.3	Environmental performance
A1.4	Environmental performance
A1.5	Emissions and waste management
A1.6	Emissions and waste management
A2. Use of Resources	Resource utilization and management
A2.1	Resource utilization and management
A2.2	Resource utilization and management
A2.3	Resource utilization and management
A2.4	Resource utilization and management
A2.5	Resource utilization and management
A3. The Environment and Natural Resources	Resource utilization and management
A3.1	Resource utilization and management
A4. Climate Change	Addressing climate change
A4.1	Addressing climate change
B. Social	
Employment and labor practices	
B1. Employment	Employees' rights and interests & development
B1.1	Social performance
B1.2	Social performance
B2. Health and Safety	Employees' rights and interests & development
B2.1	Social performance
B2.2	Social performance
B2.3	Employees' rights and interests & development

Aspects, General Disclosures and KPIs	Section
B3. Development and Training	Employees' rights and interests & development
B3.1	Social performance
B3.2	Social performance
B4. Labour Standards	Employees' rights and interests & development
B4.1	Employees' rights and interests & development
B4.2	Employees' rights and interests & development
Operating Practices	
B5. Supply Chain Management	Supply chain management
B5.1	Social performance
B5.2	Social performance
B5.3	Supply chain management
B5.4	Supply chain management
B6. Product Responsibility	High-quality products and services
B6.1	Social performance
B6.2	Social performance
B6.3	High-quality products and services
B6.4	High-quality products and services
B6.5	High-quality products and services
B7. Anti-corruption	Compliance management
B7.1	Compliance management
B7.2	Compliance management
B7.3	Compliance management
Communities	
B8. Community Investment	Building better communities together
B8.1	Social performance
B8.2	Building better communities together, Social performance

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 2023.

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

A review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results, important events affecting the Group since the end of the financial year and financial position as well as the outlook of the Group's business are provided in the "Chairman's Statement" and "Management Discussion & Analysis" on page 4 and pages 5 to 12 of this annual report. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report particularly in the section of "Management Discussion & Analysis" on pages 11 to 12 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 annual report and "Environmental, Social and Governance Report" from pages 27 to 81 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the accompanying financial statements on page 106.

The Board does not recommend the payment of any dividend for the year ended 31 December 2023.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

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 11 June 2024 to 14 June 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 7 June 2024.

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 183 to page 184.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 28 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 2023 are set out in note 22 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 ended 31 December 2023 are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2023 calculated under the Companies Act of the Cayman Islands amounted to RMB787,604,000.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group has always paid great attention to and maintained a good working relationship with its upstream raw materials 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 2023, the aggregate revenue from sales of goods attributable to the five largest customers and the largest customer of the Group accounted for approximately 15.3% and 5.7% 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 54.3% and 29.2% of the Group's aggregate purchases respectively.

At no time during the year ended 31 December 2023 have the Directors, their close associates or any Shareholder (which 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 principal terms of the Share Award Scheme are as follows:

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. Employee(s) include(s) any employee and director (including without limitation any executive director and non-executive director) of any member of the Group whereas the excluded employee(s) include(s) any employee who is resident in a place where the award of the Awarded Shares (as defined hereinbelow) and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Trustee (as defined hereinbelow) (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such employee.

The maximum number of shares that may be awarded under the Share Award Scheme ("**Awarded 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 Board may, from time to time, grant such number of Awarded Shares to any selected employee at no consideration and in such number and subject to such terms and conditions (including vesting period) as it may in its absolution discretion determine, pursuant to the Share Award Scheme. The Share Award Scheme 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. As at 1 January 2023, 31 December 2023 and the date of this annual report, the maximum number of new shares of the Company to be issued under the Share Award Scheme was 16,222,319, representing 1.80% of the total issued shares of the Company as at the date of this annual report. 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 2023, no new shares were subscribed by the Trustee, and 14,000,000 shares were granted and 7,000,000 shares were vested under the Share Award Scheme. Accordingly, since the Adoption Date and up to 31 December 2023, there were 19,200,000 shares held in trust under the Share Award Scheme.

On 22 December 2023, the Board granted a total of 14,000,000 Awarded Shares (the "**December 2023 Awarded Shares**"), to 10 selected participants pursuant to the Share Award Scheme, among whom (i) 7 are unconnected grantees and (ii) 3 are connected grantees with nil consideration. All the December 2023 Awarded Shares were purchased by the Trustee from the open market to satisfy the awards to the selected participants. Half of the December 2023 Awarded Shares were vested on 22 December 2023, while the remaining December 2023 Awarded Shares will be vested on 23 December 2024.

Subject to any early termination as may be determined by the Board pursuant to the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date. The remaining life of the Share Award Scheme is approximately 2 years.

Other information of the Share Award Scheme are also set out in note 28(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 and 22 December 2023 relating to the Share Award Scheme.

The table below shows the movements of the Awarded Shares granted under the Share Award Scheme involving existing shares of the Company during the year ended 31 December 2023:

		Number of shares					
Participants	**Date of grant**	**Outstanding unvested awards as at 1 January 2023**	**Granted during the year ended 31 December 2023**	**Vested during the year ended 31 December 2023**	**Lapsed during the year ended 31 December 2023**	**Outstanding unvested awards as at 31 December 2023**	**Vesting date**
Directors							
HU Changyuan	22/12/2023	N/A	4,000,000	2,000,000	–	2,000,000	On 23/12/2024
HU Minglie	22/12/2023	N/A	4,000,000	2,000,000	–	2,000,000	On 23/12/2024
ZHU Wenjun	22/12/2023	N/A	1,000,000	500,000	–	500,000	On 23/12/2024
Other Selected Employees	22/12/2023	N/A	5,000,000	2,500,000	–	2,500,000	On 23/12/2024

Notes:

1. The closing price of the shares immediately before the date on which the Awarded Shares were granted was HKD1.07.

2. The weighted average closing price of the shares of the Company immediately before the date on which Awarded Shares were vested was HKD1.07.

3. For the year ended 31 December 2023, no share awards were cancelled under the Share Award Scheme and no shares of the Company are expected to be issued in relation to the share awards, and the proportion of such shares divided by the weighted average number of shares of the Company in issue for the year ended 31 December 2023 would be nil.

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.

Based on the above and that the Company has not granted any options since adoption of the Share Option Scheme, as at 1 January 2023, 31 December 2023 and the date of this annual report, a total of 81,111,595 shares of the Company (representing approximately 9.02% of the issued shares of the Company as at the date of this annual 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 person (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 2 years.

For the year ended 31 December 2023, no options had been granted, exercised, lapsed, cancelled or outstanding under the Share Option Scheme and therefore, no shares of the Company are expected to be issued in relation to the options, and the proportion of such shares divided by the weighted average number of shares of the Company in issue for the year ended 31 December 2023 would be nil.

DIRECTORS

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

Executive Directors

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

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 independent non-executive Directors of the Company had entered into an appointment letter with the Company for a term of 3 years until terminated by either the Company or 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 2023, 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	274,200,000 *(Note 2)*	–	30.48%
	Interest of a controlled corporation/ corporate interest	13,213,000 *(Note 3)*	–	1.47%
	Beneficial owner/personal Interest	5,500,000	2,000,000 *(note 4)*	0.83%
HU Minglie	Beneficial owner/personal Interest	8,603,000	2,000,000 *(note 4)*	1.18%
ZHU Wenjun	Beneficial owner/personal interest	2,000,000	500,000 *(note 4)*	0.28%
CHAI Chaoming	Beneficial owner/personal Interest	434,000	–	0.05%
LOU Dong	Beneficial owner/personal interest	300,000	–	0.03%
LU Hong	Beneficial owner/personal Interest	500,000	–	0.06%

Notes:

1. The percentages are calculated based on the total issued shares of 899,558,173 as at 31 December 2023.

2. These 274,200,000 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 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 share (unlisted and physically settled) held by Directors are award shares granted to the Directors under the Share Award Scheme on 22 December 2023. Details of the said grant are set out in the announcement of the Company dated 22 December 2023, and the movement of award shares is set out in the section of "Share Award Scheme" above and note 28(c) to the financial statements.

Save as disclosed above, as at 31 December 2023, 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 ended 31 December 2023 was the Company, its parent company (if any), or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the following persons or corporations (other than the directors' interests disclosed in the section headed "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures") had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Number of Underlying Shares	Approximate percentage of shareholding *(Note 1)*
Luckie Strike Limited	Beneficial owner/Beneficial interest	110,000,000 (L)	–	12.23%
Come Fortune International Limited	Beneficial owner/Beneficial interest	164,200,000 (L)	–	18.25%
Dynamic Empire Holdings Limited *(Note 2)*	Interest of a controlled corporation/Corporate interest	274,200,000 (L)	–	30.48%
Zedra Trust Company (Singapore) Limited *(Note 2)*	Trustee (other than a bare trustee)/Other Interest	274,200,000 (L)	–	30.48%
Zedra Malta Limited *(Note 3)*	Interest of a controlled corporation/Corporate interest	274,200,000 (L)	–	30.48%
Zedra Holding SA *(Note 3)*	Interest of a controlled corporation/Corporate interest	274,200,000 (L)	–	30.48%
Zedra SA *(Note 3)*	Interest of a controlled corporation/Corporate interest	274,200,000 (L)	–	30.48%
YU Yuesu *(Note 4)*	Interest of spouse/Family interest	292,913,000 (L)	2,000,000 (L)	32.78%
bostone Group Limited *(Note 5)*	Beneficial owner/Beneficial interest	164,812,000 (L)	–	18.32%
Xie Shicai *(Note 5)*	Interest of a controlled corporation/Corporate interest	206,930,000 (L)	–	23.00%
Ma Jiafeng *(Note 5)*	Interest of a controlled corporation/Corporate interest	206,930,000 (L)	–	23.00%

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 899,558,173 as at 31 December 2023.

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.

3. Zedra SA through its 100% controlled corporations (including Zedra Holding SA, and Zedra Malta Limited), is interested in 274,200,000 shares which were held by Zedra Trust Company (Singapore) Limited (formerly known as Barclays Wealth Trustees (Singapore) Limited) as trustee as referred to note 2 above. Zedra Trust Company (Singapore) Limited was indirectly wholly owned by Zedra SA. Each of Zedra SA, Zedra Holding SA and Zedra Malta Limited was deemed to be interested in all the shares in which Zedra Trust Company (Singapore) Limited 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) represented 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 2 March 2022, these 206,930,000 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) 42,118,000 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 2023, 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.

CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the year ended 31 December 2023.

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 ended 31 December 2023.

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 ended 31 December 2023.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in note 31 to the financial statements. Those related party transactions constituted exempted connected transactions under the Listing Rules and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in the section of "Purchase, Sale or Redemption of Listed Securities" in the "Management Discussion and Analysis" in this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

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. 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 2023, the revenue, net loss and total assets contributed by the Funnytime Group to the Group amounted to respectively RMB10.8 million, RMB4.9 million and RMB43.1 million, of which Ningbo Longao and Ningbo OPCO recorded revenue of RMB1.0 million and net loss of RMB0.8 million with RMB36.7 million in total assets.

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

Zhong Lun 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 annual 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.

For the year ended 31 December 2023, 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 ended 31 December 2023.

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 C1 of the Listing Rules during the year ended 31 December 2023. 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 annual 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.

TAX RELIEF

The Company is not aware of any relief from taxation to which the Shareholders are entitled by reasons of their holdings of the Shares. If the Shareholders are unsure about the taxation implication of purchasing, holding, disposing of, dealing in, or exercise of any rights in relation to the Shares, they are advised to consult their professional advisers.

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 2023 and has also discussed audit, risk management, internal control, continuing connected transactions (if any) and financial reporting matters including accounting practices and principles adopted by the Group.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 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, 28 March 2024

BIOGRAPHICAL DETAILS OF THE DIRECTORS

EXECUTIVE DIRECTORS

Mr. HU Changyuan, aged 75, 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 30 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 42, 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 42, 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 16 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 54. 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 42, 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 54, 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 22 years of experience in accounting, financial management, company secretarial and domestic and overseas capital markets field. She is a member of the Chinese Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. LU has extensive knowledge and experience in accounting and is very familiar with listing rules and regulations both in Hong Kong and PRC. She has rich experience in the listing of corporations in the PRC, Hong Kong, Singapore and the United States of America, and foreign and domestic investment and financing operations as well as mergers and acquisitions. Ms. LU also specializes in financial analysis, budgeting, financial management and tax planning. Ms. LU has been an independent non-executive director of Sino Biopharmaceutical Limited (stock code: 1177), a company listed on the main board of The Stock Exchange of Hong Kong Limited.

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

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
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 106 to 182, which comprise the consolidated statement of financial position as at 31 December 2023, 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, comprising material accounting policy information and other explanatory information.

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 2023 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 Hong Kong Institute of Certified Public Accountants ("**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

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.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue included the following:

- assessing the design and implementation 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;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Revenue recognition (Continued)

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

The Key Audit Matter	How the matter was addressed in our audit
We identified revenue recognition from the sale of copper products as a key audit matter because revenue is a key performance indicator of the Group which could create an incentive for manipulation of revenue to meet targets or expectations.	• recalculating, on a sample basis, sales rebates recognised during the year with reference to the terms contained in customers' sales contracts and the actual sales volumes for customers qualifying for 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 2023 and January 2024 to evaluate whether associated adjustments to revenue had been accurately recorded in the appropriate accounting period; and • inspecting manual adjustments to revenue made during the reporting period applying risk-based sampling techniques, enquiring of management as to the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(Expressed in RMB)

	Note	2023 *RMB'000*	2022 *RMB'000*
Revenue	*4(a)*	**6,323,174**	6,238,504
Cost of sales		**(5,712,840)**	(5,650,557)
Gross profit		**610,334**	587,947
Other income	*5*	**26,688**	28,114
Distribution expenses		**(57,052)**	(61,052)
Administrative expenses		**(339,747)**	(334,107)
Other (losses) and gains, net	*6*	**(20,475)**	11,400
Profit from operations		**219,748**	232,302
Finance income		**36,977**	46,720
Finance costs		**(33,144)**	(29,605)
Net finance income	*7(a)*	**3,833**	17,115
Profit before taxation		**223,581**	249,417
Income tax	*8*	**(35,889)**	(32,591)
Profit for the year		**187,692**	216,826
Attributable to:			
Equity shareholders of the Company		**187,447**	216,607
Non-controlling interests		**245**	219
Profit for the year		**187,692**	216,826
Earnings per share	*12*		
Basic (RMB)		**0.21**	0.24
Diluted (RMB)		**0.21**	0.24

The notes on pages 114 to 182 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 26(d).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in RMB)

	Note	2023 *RMB'000*	2022 *RMB'000*
Profit for the year		**187,692**	216,826
Other comprehensive income for the year (after tax and reclassification adjustments)	11		
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas operations		**652**	4,845
Other comprehensive income for the year		**652**	4,845
Total comprehensive income for the year		**188,344**	221,671
Attributable to:			
Equity shareholders of the Company		**188,099**	221,452
Non-controlling interests		**245**	219
Total comprehensive income for the year		**188,344**	221,671

The notes on pages 114 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	13	**1,131,703**	922,420
Right-of-use assets	14	**63,615**	67,007
Deposits for acquisition of property, plant and equipment		**60,377**	24,900
Other non-current assets		**20,382**	7,490
Deferred tax assets	8(d)	**22,132**	23,859
		1,298,209	1,045,676
Current assets			
Inventories	17	**1,319,351**	1,229,301
Trade and other receivables	18	**707,226**	546,898
Derivative financial instruments	19	**249**	935
Restricted bank deposits	20	**740,676**	720,133
Bank deposits with original maturity over three months		**155,106**	311,683
Cash and cash equivalents	21	**418,750**	316,859
		3,341,358	3,125,809
Current liabilities			
Derivative financial instruments	19	**6,415**	10,599
Interest-bearing borrowings	22	**1,048,097**	745,050
Trade and other payables	23	**1,402,676**	1,456,706
Lease liabilities	24	**887**	1,999
Income tax payable		**23,078**	8,079
		2,481,153	2,222,433
Net current assets		**860,205**	903,376
Total assets less current liabilities		**2,158,414**	1,949,052

The notes on pages 114 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Interest-bearing borrowings	22	**152,582**	117,739
Lease liabilities	24	**156**	995
Deferred income	25	**35,025**	38,788
Deferred tax liabilities	8(d)	**6,000**	6,000
		193,763	163,522
NET ASSETS		**1,964,651**	1,785,530
CAPITAL AND RESERVES			
Share capital	26(b)	**80,774**	80,774
Reserves		**1,880,887**	1,702,011
Total equity attributable to equity shareholders of the Company		**1,961,661**	1,782,785
Non-controlling interests		**2,990**	2,745
TOTAL EQUITY		**1,964,651**	1,785,530

Approved and authorised for issue by the board of directors on 28 March 2024.

Hu Minglie

Directors

Zhu Wenjun

The notes on pages 114 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(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 2022		80,774	354,133	258,060	83,529	(18,511)	(4,933)	197	813,096	1,566,345	2,526	1,568,871
Profit for the year		–	–	–	–	–	–	–	216,607	216,607	219	216,826
Other comprehensive income		–	–	–	–	4,845	–	–	–	4,845	–	4,845
Total comprehensive income		–	–	–	–	4,845	–	–	216,607	221,452	219	221,671
Share Award Scheme:												
– Treasury shares held for the Share Award Scheme	*28(c)*	–	–	–	–	–	(9,928)	–	–	(9,928)	–	(9,928)
– Shares granted from the share award scheme	*28(c)*	–	–	–	–	–	–	4,916	–	4,916	–	4,916
– Shares vested from the share award scheme	*28(c)*	–	–	–	–	–	5,264	(5,113)	(151)	–	–	–
At 31 December 2022		80,774	354,133	258,060	83,529	(13,666)	(9,597)	–	1,029,552	1,782,785	2,745	1,785,530

The notes on pages 114 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(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 2023		80,774	354,133	258,060	83,529	(13,666)	(9,597)	–	1,029,552	1,782,785	2,745	1,785,530
Profit for the year		–	–	–	–	–	–	–	187,447	187,447	245	187,692
Other comprehensive income		–	–	–	–	652	–	–	–	652	–	652
Total comprehensive income		–	–	–	–	652	–	–	187,447	188,099	245	188,344
Share Award Scheme:												
– Treasury shares held for the Share Award Scheme	28(c)	–	–	–	–	–	(16,130)	–	–	(16,130)	–	(16,130)
– Shares granted from the share award scheme	28(c)	–	–	–	–	–	–	6,907	–	6,907	–	6,907
– Shares vested from the share award scheme	28(c)	–	–	–	–	–	6,874	(6,742)	(132)	–	–	–
At 31 December 2023		80,774	354,133	258,060	83,529	(13,014)	(18,853)	165	1,216,867	1,961,661	2,990	1,964,651

The notes on pages 114 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in RMB)

	2023 *RMB'000*	2022 *RMB'000*
Cash flows from operating activities		
Profit for the year	**187,692**	216,826
Adjustment for:		
Depreciation of property, plant and equipment	**98,147**	100,186
Depreciation for right-of-use assets	**2,599**	3,428
Impairment losses on trade and other receivables	**658**	1,220
Losses on disposals of property, plant and equipment	**1,252**	19
Net finance income	**(3,833)**	(17,115)
Equity-settled share-based payment transactions	**6,907**	4,916
Unrealised fair value change on derivative financial instruments	**(3,498)**	5,775
Income tax expense	**35,889**	32,591
Amortisation of deferred income	**(11,250)**	(6,190)
	314,563	341,656
Changes in working capital:		
Inventories	**(90,050)**	(11,590)
Trade and other receivables	**(161,228)**	(82,104)
Trade and other payables	**(132,522)**	330,559
Cash (used in)/generated from operations	**(69,237)**	578,521
Interest paid	**(31,881)**	(30,499)
Income tax paid	**(25,855)**	(57,276)
Net cash (used in)/generated from operating activities	**(126,973)**	490,746

The notes on pages 114 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Cash flows from investing activities			
Interest received		**48,901**	17,258
Proceeds from disposals of property, plant and equipment		**1,558**	15
Payment for acquisition of intangible assets		**(12,892)**	–
Changes in guarantee deposits and bank deposits with maturity over three months		**152,034**	(176,451)
Acquisition of property, plant and equipment, net of deposits placed in previous years		**(282,389)**	(134,081)
Deposits for acquisition of property, plant and equipment		**(53,340)**	(22,618)
Net cash used in investing activities		**(146,128)**	(315,877)
Cash flows from financing activities			
Repayments of interest-bearing borrowings	*21(a)*	**(1,909,227)**	(1,164,970)
Proceeds from interest-bearing borrowings	*21(a)*	**2,239,532**	1,182,062
Capital element of lease rentals paid	*21(a)*	**(1,346)**	(1,927)
Payment for purchase of shares in connection with Share Award Scheme	*28(c)*	**(16,130)**	(9,928)
Change in restricted bank deposits		**59,067**	(121,868)
Net cash generated from/(used in) financing activities		**371,896**	(116,631)
Net increase in cash and cash equivalents		**98,795**	58,238
Cash and cash equivalents at 1 January		**316,859**	235,844
Effect of movements in exchange rates on cash held		**3,096**	22,777
Cash and cash equivalents at 31 December		**418,750**	316,859

The notes on pages 114 to 182 form part of these financial statements.

1 REPORTING ENTITY AND BACKGROUND INFORMATION

Xingye Alloy Materials Group Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2007 under the Companies Act, 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 2023 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 gaming business in August 2016, the Group's activities also include developing, publishing and operating online games and provision of related services.

2 MATERIAL 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. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to 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 accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

- derivative financial instruments (see note 2(h))

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.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(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.

- IFRS 17, *Insurance contracts*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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.

(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 where otherwise indicated. The functional currency of the Company and its subsidiaries incorporated in Hong Kong and British Virgin Islands is Hong Kong dollar ("**HKD**").

(e) Subsidiaries and non-controlling interests

(i) Business combination

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

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

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

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

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it is exposed to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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.

For each business combination, the Group can elect to measure any non-controlling interests ("**NCI**") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets.

NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI 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 NCI 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.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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

(f) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(l)(ii)).

2 MATERIAL ACCOUNTING POLICIES (Continued)

(g) Other investments in securities

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

Investments in 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 29(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments 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. Expected credit losses, interest income calculated using the effective interest method (see note 2(v)(iv)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– 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. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income ("**OCI**"). When the investment is derecognised, the amount accumulated in OCI is recycled from equity to 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 the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. 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. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and 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 MATERIAL ACCOUNTING POLICIES (Continued)

(h) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency and commodity price risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 2(l)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

A gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Plant and buildings	10 – 35 years or the shorter of lease term
– Machinery	5 – 20 years
– Electronic and other equipment	3 – 10 years
– Motor vehicles	5 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

2 MATERIAL ACCOUNTING POLICIES (Continued)

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

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation (where the estimated useful life is finite) and any accumulated impairment losses (see note 2(l)(ii)).

Expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

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

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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 leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss 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 recognised 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 are charged to profit or loss as incurred.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

As a lessee (Continued)

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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(l)(ii)).

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 properties	2 – 4.3 years
– Leased vehicles	4 years

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 2(g)(i), 2(v)(iv) and 2(l)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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 if the Group changes its assessment of whether the Group it 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.

A lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification 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 rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECL**"s) on:

– 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).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is past due.

2 MATERIAL ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 180 days past due.

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.

Credit-impaired financial assets

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 being past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; 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 to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

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

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and other contract costs and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been 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 MATERIAL ACCOUNTING POLICIES (Continued)

(m) Inventories and other contract costs

(i) Inventories

Inventories are measured 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.

(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, e.g. sales commissions, are capitalised 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 is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 2(o)).

(o) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All trade and other receivables are subsequently stated at amortised cost (see note 2(l)(i)).

Insurance reimbursement is recognised and measured in accordance with note 2(u).

2 MATERIAL ACCOUNTING POLICIES (Continued)

(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 ECL(see note 2(l)(i)).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(x).

(s) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

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 grant-date fair value of equity-settled share-based payments granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(ii) Share-based payments (Continued)

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 expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(t) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

2 MATERIAL ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(u) Provisions and contingent liabilities

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2(l)(ii)).

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(v) Revenue and other income

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

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

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

(i) Sales of copper products

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

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

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

(ii) Publishing and operating online games

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

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(iii) Services income

Revenue for the provision of technical services is recognised over time when services have been rendered.

(iv) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is 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. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(v) Government grants

Government grants related to assets are initially recognised as deferred income when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

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

Grants that compensate the Group for the cost of an asset are effectively recognised in profit or loss over the useful life of the asset as other income.

(w) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(w) Translation of foreign currencies (Continued)

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(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.

(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).

2 MATERIAL ACCOUNTING POLICIES (Continued)

(z) Related parties (Continued)

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

(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.

(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:

- Notes 28(b)&(c) – Consolidation: whether the Group has control over entities through contractual arrangements and trusts.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(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.

(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.

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).

4 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue

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

	2023	2022
	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	**6,023,716**	5,887,041
– Processing service fees	**231,910**	261,875
– Trading of raw materials	**56,795**	75,995
	6,312,421	6,224,911
Online games related:		
– Publishing and operating online games	**10,753**	7,464
– Technical service income	**–**	6,112
– Others	**–**	17
	10,753	13,593
	6,323,174	6,238,504
Disaggregated by timing of revenue recognition		
– Point in time	**6,312,421**	6,224,911
– Over time	**10,753**	13,593
	6,323,174	6,238,504

Disaggregation of revenue from contracts with customers by geographic markets are disclosed in note 4(b).

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 2023 and 2022.

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

IFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment.

As the assets and liabilities by segment is not a measure used by the Group's chief operating decision maker to allocate resources and assess performance, the segment assets and liabilities of the Group are not reported to the Group's chief operating decision maker regularly. As a result, reportable segment assets and liabilities have not been presented in the consolidated financial statements.

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.

	2023	2022
	RMB'000	*RMB'000*
Revenue		
Chinese Mainland	**5,694,305**	5,350,135
Hong Kong, China	**94,256**	125,290
Taiwan, China	**87,560**	95,208
Bangladesh	**64,900**	86,107
Singapore	**49,038**	27,593
India	**37,442**	70,897
South Korea	**35,360**	137,742
Other locations	**260,313**	345,532
	6,323,174	6,238,504

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Geographic information (Continued)

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

	2023	2022
	RMB'000	*RMB'000*
Government grants	**25,981**	24,830
Others	**707**	3,284
	26,688	28,114

Government grants represent unconditional government grants of RMB14,731,000 (2022: RMB18,640,000) 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 RMB11,250,000 during the year ended 31 December 2023 (2022: RMB6,190,000) (note 25).

6 OTHER LOSSES AND (GAINS), NET

	2023	2022
	RMB'000	*RMB'000*
Credit loss allowance on trade and other receivables *(note 29(a))*	**658**	1,220
Losses on disposals of property, plant and equipment	**1,252**	19
Net losses/(gains) on metal future contracts	**16,830**	(12,737)
Others	**1,735**	98
	20,475	(11,400)

7 PROFIT BEFORE TAXATION

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

(a) Net finance income

	2023	2022
	RMB'000	*RMB'000*
Interest income on bank deposits	**35,992**	33,285
Net foreign exchange gains	**985**	12,019
Gains from foreign exchange forward contracts and option contracts	**–**	1,416
Finance income	**36,977**	46,720
Interest expenses on interest-bearing borrowings	**(33,728)**	(31,104)
Interest on lease liabilities *(note 14)*	**(85)**	(175)
Less: interest expenses capitalised	**1,764**	1,674
Net interest expenses recognised in profit or loss	**(32,049)**	(29,605)
Losses from foreign exchange forward contracts, swap contracts and option contracts	**(1,095)**	–
Finance costs	**(33,144)**	(29,605)
Net finance income	**3,833**	17,115

(b) Personnel costs

	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**213,105**	211,196
Equity-settled share-based payment expenses	**6,907**	4,916
Contributions to defined contribution plan	**10,245**	9,724
	230,257	225,836

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.

7 PROFIT BEFORE TAXATION (Continued)

(b) Personnel costs (Continued)

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.

(c) Other items

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories*	**5,646,782**	5,647,335
Depreciation		
– Property, plant and equipment *(note 13)*	**98,147**	100,186
– Right-of-use assets *(note 14)*	**2,599**	3,428
Impairment losses on		
– Trade and other receivables	**658**	1,220
Research and development expenditure (included in administrative expenses)	**185,121**	199,877
Auditor's remuneration		
– audit services	**2,460**	2,460
– non-audit services	**50**	33

* Cost of inventories includes RMB153,568,000 (2022: RMB150,183,000) 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 TAX

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

	2023	2022
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**37,049**	47,703
Over-provision in respect of prior years	**(2,887)**	(9,917)
	34,162	37,786
Deferred tax		
Reversal and origination of temporary differences	**1,727**	(6,695)
PRC withholding tax	**–**	1,500
	35,889	32,591

(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% (2022: 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 small profit enterprises in 2023, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% (2022: 12.5%) as taxable income amount, and be subject to enterprise income tax at 20%. The portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 25% 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 2023, 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 a 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 RMB6,000,000 (2022: RMB6,000,000) were recognised in connection with withholding tax that would be payable on the distribution of retained profits of the Group's PRC subsidiaries as at 31 December 2023.

8 INCOME TAX (Continued)

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

	2023	2022
	RMB'000	*RMB'000*
Profit before taxation	**223,581**	249,417
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	**59,137**	62,625
Tax effect of unused tax losses and other temporary differences not recognised as deferred tax assets	**2,956**	1,135
Tax effect of utilisation of tax losses not recognised as deferred tax assets in prior years	**(29)**	(1,924)
Withholding tax on profits retained by PRC subsidiaries	**–**	1,500
Effect of tax concessions	**493**	(956)
Over provision in prior years	**(2,887)**	(9,917)
Additional deduction for qualified research and development expenses *(Note)*	**(25,870)**	(20,966)
Tax effect of non-deductible expenses	**2,089**	1,094
Actual tax expense	**35,889**	32,591

Note: According to the relevant PRC income tax law, certain research and development expenses of PRC subsidiaries are qualified for 100% additional deduction for tax purpose.

8 INCOME TAX (Continued)

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

	Accelerated depreciation and impairment of property, plant and equipment *RMB'000*	Credit loss allowance *RMB'000*	Inventory provision *RMB'000*	Changes in fair value of derivative financial instruments *RMB'000*	Deferred income *RMB'000*	Withholding tax on dividends *RMB'000*	Accrued expenses *RMB'000*	Unrealised profits arising from intra-group transactions and others *RMB'000*	Total *RMB'000*
At 1 January 2022	4,802	2,698	360	972	5,240	(4,500)	–	3,092	12,664
Credited/(charged) to profit or loss	(2,637)	280	3,462	1,381	978	(1,500)	4,806	(1,575)	5,195
At 31 December 2022 and 1 January 2023	**2,165**	**2,978**	**3,822**	**2,353**	**6,218**	**(6,000)**	**4,806**	**1,517**	**17,859**
Credited/(charged) to profit or loss	**(2,629)**	**(1,222)**	**724**	**(749)**	**44**	**–**	**6**	**2,099**	**(1,727)**
At 31 December 2023	**(464)**	**1,756**	**4,546**	**1,604**	**6,262**	**(6,000)**	**4,812**	**3,616**	**16,132**

8 INCOME TAX (Continued)

(d) Reconciliation to consolidated statement of financial position

	2023 *RMB'000*	2022 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**22,132**	23,859
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(6,000)**	(6,000)
	16,132	17,859

(e) Unrecognised deferred tax assets and liabilities

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

	2023 *RMB'000*	2022 *RMB'000*
Tax losses of subsidiaries (i)	**49,454**	35,305
Retained earnings of PRC subsidiaries not expected to be distributed outside of the PRC in the foreseeable future (ii)	**(853,932)**	(672,729)

(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 2023					
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	–	1,032	–	–	1,974	3,006
Mr. Hu Minglie	–	2,312	7	–	1,974	4,293
Mr. Zhu Wenjun	–	1,344	40	–	493	1,877
Independent non-executive directors						
Mr. Chai Chaoming	200	–	–	–	–	200
Mr. Lou Dong	200	–	–	–	–	200
Ms. Lu Hong	200	–	–	–	–	200
	600	4,688	47	–	4,441	9,776

	Year ended 31 December 2022					
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	–	1,001	–	–	1,353	2,354
Mr. Hu Minglie	–	1,519	7	–	1,353	2,879
Mr. Zhu Wenjun	–	1,354	46	–	451	1,851
Independent non-executive directors						
Mr. Chai Chaoming	140	–	–	–	45	185
Mr. Lou Dong	140	–	–	–	45	185
Ms. Lu Hong	140	–	–	–	45	185
	420	3,874	53	–	3,292	7,639

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 (2022: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two (2022: two) individuals are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Salaries and other emoluments	**1,984**	1,975
Equity-settled share-based payments	**493**	451
Retirement scheme contributions	**15**	7
	2,492	2,433

The emoluments of the two (2022: two) individuals with the highest emoluments are within the following bands:

RMB'000	**2023** **Number of individuals**	2022 Number of individuals
Nil – 1,000	**1**	1
1,000-2,000	**1**	1

11 OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income

	2023			2022		
	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 differences on translation of financial statements of overseas subsidiaries	**652**	**–**	**652**	4,845	–	4,845
Other comprehensive income	**652**	**–**	**652**	4,845	–	4,845

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 RMB187,447,000 (2022: RMB216,607,000) and the weighted average number of 881,188,754 ordinary shares (2022: 891,143,672) in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic)

	2023	2022
Issued ordinary shares at 1 January	**889,621,173**	893,872,173
Effect of shares purchased *(note 28(c))*	**(8,605,022)**	(2,937,542)
Effect of shares vested under Share Award Scheme *(note 28(c))*	**172,603**	209,041
Weighted average number of ordinary shares (basic) at 31 December	**881,188,754**	891,143,672

(b) Diluted earnings per share

As at 31 December 2023, the share awards granted by the Group have a dilutive effect on the basic earnings per share. The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB187,447,000 (2022: RMB216,607,000) and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares amounting to 881,198,895 (2022: 891,143,672) ordinary shares.

As at 31 December 2022, 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)

	2023	2022
Weighted average number of ordinary shares (basic) at 31 December	**881,188,754**	891,143,672
Effect of Share Award Scheme *(note 28(c))*	**10,141**	–
Weighted average number of ordinary shares (diluted) at 31 December	**881,198,895**	891,143,672

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 2022	225,451	1,500,475	25,996	12,450	170,768	1,935,140
Additions	–	1,701	2,276	159	151,592	155,728
Transfers from construction in progress	1,372	38,211	153	–	(39,736)	–
Disposals	–	–	(121)	–	–	(121)
At 31 December 2022	226,823	1,540,387	28,304	12,609	282,624	2,090,747
Additions	7,182	1,147	1,884	862	299,061	310,136
Transfers from construction in progress	54,401	73,417	2,739	–	(130,557)	–
Disposals	(232)	(9,082)	(68)	(601)	–	(9,983)
At 31 December 2023	288,174	1,605,869	32,859	12,870	451,128	2,390,900
Accumulated depreciation and impairment losses						
At 1 January 2022	(86,620)	(954,811)	(19,454)	(7,343)	–	(1,068,228)
Charge for the year	(6,877)	(90,507)	(1,592)	(1,210)	–	(100,186)
Disposals	–	–	87	–	–	87
At 31 December 2022	(93,497)	(1,045,318)	(20,959)	(8,553)	–	(1,168,327)
Charge for the year	(6,333)	(88,300)	(2,565)	(949)	–	(98,147)
Disposals	65	6,729	59	424	–	7,277
At 31 December 2023	(99,765)	(1,126,889)	(23,465)	(9,078)	–	(1,259,197)
Net book value						
At 31 December 2023	188,409	478,980	9,394	3,792	451,128	1,131,703
At 31 December 2022	133,326	495,069	7,345	4,056	282,624	922,420

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

(ii) Certain property, plant and equipment with an aggregate carrying amount of RMB149,520,000 (2022: RMB166,601,000) were pledged as security for bank loans at 31 December 2023 (see note 22(iii)).

(iii) As at 31 December 2023, the Group was in the process of applying for the title certificates for certain of its properties with an aggregate carrying value of RMB12,521,000 (2022: RMB13,407,000). 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

No impairment loss was recognised for the years ended 31 December 2023 and 2022.

14 RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Leased properties *RMB'000*	Leased vehicles *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2022 and 31 December 2022	72,172	6,264	925	79,361
Additions	–	221	–	221
Disposal	–	(2,931)	–	(2,931)
At 31 December 2023	72,172	3,554	925	76,651
Accumulated depreciation				
At 1 January 2022	(6,836)	(1,801)	(289)	(8,926)
Charge for the year	(1,450)	(1,747)	(231)	(3,428)
At 31 December 2022	(8,286)	(3,548)	(520)	(12,354)
Charge for the year	(1,450)	(918)	(231)	(2,599)
Disposal	–	1,917	–	1,917
At 31 December 2023	(9,736)	(2,549)	(751)	(13,036)
Net book value				
At 31 December 2023	62,436	1,005	174	63,615
At 31 December 2022	63,886	2,716	405	67,007

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 2023	31 December 2022
	RMB'000	*RMB'000*
Leasehold lands in PRC, carried at depreciated cost	**62,436**	63,886
Leased properties, carried at depreciated cost	**1,005**	2,716
Leased vehicles, carried at depreciated cost	**174**	405
	63,615	67,007

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

	2023	2022
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold lands	**1,450**	1,450
Leased properties	**918**	1,747
Leased vehicles	**231**	231
	2,599	3,428
Interest on lease liabilities *(note 7(a))*	**85**	175
Expenses relating to short-term leases	**1,779**	725
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**40**	41

During the year, additions to right-of-use assets were RMB221,000 (2022: Nil).

Details of total cash outflows for leases and the maturity analysis of lease liabilities are set out in notes 21(b) and 24, respectively.

Certain leasehold lands with an aggregate carrying amount of RMB6,270,000 (2022: RMB6,482,000) were pledged as security for bank loans at 31 December 2023 (see note 22 (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 2022, 31 December 2022 and 31 December 2023	6,800	2,700	9,500
Accumulated amortisation and impairment loss			
At 1 January 2022, 31 December 2022 and 31 December 2023	(6,800)	(2,700)	(9,500)
Net book value			
At 31 December 2022 and 31 December 2023	–	–	–

16 GOODWILL

	RMB'000
Cost	
At 1 January 2022, 31 December 2022 and 31 December 2023	138,153
Accumulated impairment loss	
At 1 January 2022, 31 December 2022 and 31 December 2023	(138,153)
Net book value	
At 31 December 2022 and 31 December 2023	–

17 INVENTORIES

	2023 *RMB'000*	2022 *RMB'000*
Raw materials	**184,894**	143,959
Work in progress	**850,100**	836,733
Finished goods	**284,091**	248,387
Others	**266**	222
	1,319,351	1,229,301

Provisions of RMB18,185,000 (2022: RMB15,289,000) were made against those inventories with net realisable value lower than carrying value as at 31 December 2023.

Certain inventories with a maximum aggregate carrying amount of RMB330,000,000 were pledged as security for bank loans at 31 December 2023 (2022: RMB330,000,000) (see note 22 (iii)).

18 TRADE AND OTHER RECEIVABLES

	2023 *RMB'000*	2022 *RMB'000*
Trade and bills receivable, net of credit loss allowance	**572,107**	407,977
Deposits for metal future contracts	**62,834**	88,577
Receivables under metal future contracts	**2,217**	–
Other debtors, net of credit loss allowance	**621**	649
Financial assets measured at amortised cost	**637,779**	497,203
VAT recoverable	**39,936**	25,042
Prepayments	**29,511**	24,653
	707,226	546,898

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 2023, 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 RMB87,387,000 (2022: RMB22,780,000). 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.

18 TRADE AND OTHER RECEIVABLES (Continued)

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:

	2023 RMB'000	2022 RMB'000
Within 3 months	**527,251**	396,685
Over 3 months but less than 6 months	**40,473**	10,727
Over 6 months but less than 1 year	**1,686**	110
Over 1 year	**2,697**	455
	572,107	407,977

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 29(a).

As at 31 December 2023, nil of Group's bills receivables (2022: RMB2,500,000) were pledged to banks for issuance of bank acceptance bills.

19 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	2023 RMB'000	2022 RMB'000
Derivative financial assets			
Metal future contracts	*(i)*	**249**	–
Foreign exchange forward contracts and option contracts		–	935
		249	935
Derivative financial liabilities			
Metal future contracts	*(i)*	**(5,460)**	(10,430)
Foreign exchange forward contracts, swap contracts and option contracts	*(ii)*	**(955)**	(169)
		(6,415)	(10,599)

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:

	2023	2022
Sales contracts		
Volume *(tonnes)*	**9,430**	8,255
Notional contract value *(RMB'000)*	**438,129**	510,986
Market value *(RMB'000)*	**(443,589)**	(521,416)
Fair value *(RMB'000)*	**(5,460)**	(10,430)
Purchase contracts		
Volume *(tonnes)*	**125**	–
Notional contract value *(RMB'000)*	**(7,556)**	–
Market value *(RMB'000)*	**7,805**	–
Fair value *(RMB'000)*	**249**	–
Total *(RMB'000)*	**(5,211)**	(10,430)
Contract maturity date	January, February and March 2024	January, February and March 2023

The market value of metal future contracts is based on quoted market prices at the reporting date. As at 31 December 2023, fair value of the outstanding commodity future contracts was RMB5,211,000 (2022: RMB10,430,000), and net realised and unrealised losses, in aggregate of RMB16,830,000 were recognised in other gains and losses, net (2022: RMB12,737,000 of realised and unrealised gains) for the year ended 31 December 2023.

(ii) Foreign exchange forward contracts, option contracts and swap contracts

The Group purchased foreign exchange forward contracts and swap contracts to hedge its foreign currency exchange rate fluctuation. The market value of these contracts are based on quoted market prices at the reporting date. As at 31 December 2023, fair value of the outstanding foreign exchange forward contracts, option contracts and swap contracts was RMB955,000 (2022: RMB766,000), and net realised and unrealised loss, in aggregate of RMB1,095,000 was recognised in finance costs (2022: net realised and unrealised gains, in aggregate of RMB1,416,000 was recognised in finance income) for the year ended 31 December 2023.

20 RESTRICTED BANK DEPOSITS

Restricted bank deposits represent:

	2023	2022
	RMB'000	*RMB'000*
Guarantee deposits for issuance of commercial bills	**740,676**	718,403
Others	**–**	1,730
	740,676	720,133

21 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	**Lease liabilities**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Note 22)	***(Note 24)***	
At 1 January 2023	**862,789**	**2,994**	**865,783**
Changes from financing cash flows:			
Proceeds from interest-bearing borrowings	**2,239,532**	**–**	**2,239,532**
Repayments of interest-bearing borrowings	**(1,909,227)**	**–**	**(1,909,227)**
Capital element of lease rentals paid	**–**	**(1,346)**	**(1,346)**
Total changes from financing cash flows	**330,305**	**(1,346)**	**328,959**
Exchange adjustments	**7,501**	**–**	**7,501**
Other non-cash changes:			
Derecognition of discounted bills	**–**	**–**	**–**
Increase in lease liabilities from entering into new leases during the year	**–**	**221**	**221**
Disposal of leases	**–**	**(911)**	**(911)**
Net increase in accrued interest expenses	**84**	**85**	**169**
Total other non-cash changes	**84**	**(605)**	**(521)**
At 31 December 2023	**1,200,679**	**1,043**	**1,201,722**

21 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 22)	Lease liabilities RMB'000 (Note 24)	Total RMB'000
At 1 January 2022	862,787	4,921	867,708
Changes from financing cash flows:			
Proceeds from interest-bearing borrowings	1,182,062	–	1,182,062
Repayment of interest-bearing borrowings	(1,127,702)	–	(1,127,702)
Capital element of lease rentals paid	–	(1,927)	(1,927)
Total changes from financing cash flows	54,360	(1,927)	52,433
Exchange adjustments	(16,197)	–	(16,197)
Other non-cash changes:			
Derecognition of discounted bills	(37,268)	–	(37,268)
Net increase in accrued interest expenses	(893)	–	(893)
Total other non-cash changes	(38,161)	–	(38,161)
At 31 December 2022	862,789	2,994	865,783

(b) Total cash outflow for leases

Amounts included in the statement of cash flows for leases comprise the following:

	2023 ***RMB'000***	2022 *RMB'000*
Within operating cash flows	**1,903**	941
Within investing cash flows	**–**	–
Within financing cash flows	**1,346**	1,927
	3,249	2,868

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

These amounts relate to the following:

	2023	2022
	RMB'000	*RMB'000*
Lease rentals paid	**3,249**	2,868

22 INTEREST-BEARING BORROWINGS

At 31 December 2023, interest-bearing borrowings were repayable based on scheduled repayment dates set out in the underlying loan agreements as follows:

	2023	2022
	RMB'000	*RMB'000*
Current		
Short-term secured bank loans	**297,989**	227,200
Unsecured bank loans	**80,066**	50,000
Bank advances under discounted bills	**588,455**	467,850
Current portion of non-current secured bank loans	**81,587**	–
	1,048,097	745,050
Non-current		
Secured bank loans	**152,582**	117,739
	1,200,679	862,789

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	1,048,097	745,050
Over 1 year but less than 2 years	9,607	80,500
Over 2 years but less than 5 years	142,975	37,239
	152,582	117,739
	1,200,679	862,789

22 INTEREST-BEARING BORROWINGS (Continued)

(ii) The Group's interest-bearing borrowings in the amount of RMB180,000,000 (2022: RMB257,000,000) are subject to the fulfilment of financial covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. As at and during the year ended 31 December 2023, none of these covenants related to drawn down facilities were breached.

(iii) The secured bank loans as at 31 December 2023 bear interest at rates ranging from 0.30% to 5.85% (2022: 0.30% to 5.65%) per annum and were pledged by the following assets:

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Carrying amounts of pledged assets:		
Inventories	**330,000**	330,000
Property, plant and equipment	**149,520**	166,601
Right-of-use assets	**6,270**	6,482
	485,790	503,083

(iv) Unsecured bank loans as at 31 December 2023 bear interest at a rate of 2.90% to 3.0% (2022: 3.85%) per annum.

(v) RMB30,000,000 included in bank deposits has been pledged as securities for certain bank facilities, which was undrawn as at 31 December 2023 and 2022.

23 TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade and bills payable (ii)	**1,213,057**	1,279,053
Staff benefits payable	**74,155**	73,961
Payables for purchase of property, plant and equipment	**52,706**	39,036
Accrued expenses and others	**34,871**	34,657
Financial liabilities measured at amortised cost	**1,374,789**	1,426,707
Contract liabilities (i)	**27,887**	29,999
	1,402,676	1,456,706

(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 RMB29,999,000 was recognised for the year ended 31 December 2023 that was included in the contract liabilities balance at the beginning of the reporting period.

23 TRADE AND OTHER PAYABLES (Continued)

(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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**1,056,862**	1,141,499
Over 3 months but within 6 months	**148,138**	15,235
Over 6 months but within 1 year	**2,374**	106,777
Over 1 year	**5,683**	15,542
	1,213,057	1,279,053

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

24 LEASE LIABILITIES

At 31 December 2023, the lease liabilities were repayable as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**887**	1,999
After 1 year but within 2 years	**156**	853
After 2 years but within 5 years	**–**	142
	156	995
	1,043	2,994

25 DEFERRED INCOME

	2023	2022
	RMB'000	*RMB'000*
Government grants	**35,025**	38,788

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.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Contributed surplus RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2022		80,774	354,133	(31,661)	407,248	197	45,593	856,284
Changes in equity for 2022:								
Loss for the year		–	–	–	–	–	(8,279)	(8,279)
Other comprehensive income		–	–	39,917	–	–	–	39,917
Total comprehensive income		–	–	39,917	–	–	(8,279)	31,638
Share Award Scheme:								
– Granted shares under the share award scheme		–	–	–	–	4,916	–	4,916
– Vested shares transferred to grantees	28(c)	–	–	–	–	(5,113)	(151)	(5,264)
At 31 December 2022		80,774	354,133	8,256	407,248	–	37,163	887,574

26 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 2023		80,774	354,133	8,256	407,248	–	37,163	887,574
Changes in equity for 2023:								
Loss for the year		–	–	–	–	–	(10,973)	(10,973)
Other comprehensive income		–	–	6,489	–	–	–	6,489
Total comprehensive income		–	–	6,489	–	–	–	6,489
Share Award Scheme:								
– Granted shares under the share award scheme		–	–	–	–	6,907	–	6,907
– Vested shares transferred to grantees	28(c)	–	–	–	–	(6,742)	(132)	(6,874)
At 31 December 2023		80,774	354,133	14,745	407,248	165	26,058	883,123

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

Authorised

	2023		2022	
	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

Ordinary shares issued and fully paid

	2023			2022		
	Number of shares *'000*	**Amount** *HKD'000*	**Equivalent** *RMB'000*	Number of shares *'000*	Amount *HKD'000*	Equivalent *RMB'000*
At 1 January	**899,559**	**89,959**	**80,774**	899,559	89,959	80,774
Shares issued	**–**	**–**	**–**	–	–	–
At 31 December	**899,559**	**89,959**	**80,774**	899,559	89,959	80,774

(c) Reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iii) 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.

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves (Continued)

(iv) 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 the 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.

(v) 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.

(vi) 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 28(c).

(vii) 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.

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves (Continued)

(vii) Capital management (Continued)

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, lease liabilities and bills payable 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.

The Group's gearing ratio at 31 December 2023 and 2022 was as follows:

	31 December 2023	31 December 2022
Gearing ratio	**32.12%**	33.03%

(d) Dividends

No final dividend was declared to equity shareholders of the Company for the year ended 31 December 2023 (2022: Nil).

27 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023	2022
	RMB'000	*RMB'000*
Non-current assets		
Investments in subsidiaries	**440,401**	427,243
Interests in subsidiaries *(note 28)*	**440,401**	427,243
Current assets		
Amounts due from subsidiaries	**440,850**	456,027
Other receivables	**84**	69
Cash and cash equivalents	**1,801**	4,248
	442,735	460,344
Current liabilities		
Other payables	**13**	13
	13	13
Net current assets	**442,722**	460,331
Net assets	**883,123**	887,574
Capital and reserves		
Share capital *(note 26(b))*	**80,774**	80,774
Reserves	**802,349**	806,800
Total equity	**883,123**	887,574

28 INVESTMENTS IN SUBSIDIARIES

(a) Subsidiaries

All of the following entities are subsidiaries as defined in 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 Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
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 Electronic 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

28 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
Xingye Investment Holdings Limited ("**Investment**")	British Virgin Islands, June 2015	–	100%	USD1/ USD1	Investment holding	Limited liability company
Funnytime Limited ("**Funnytime**")	British Virgin Islands, October 2015	–	100%	USD0/ USD1,000	Investment holding	Limited liability company
Soul Dargon Limited	Hong Kong SAR, October 2015	–	100%	HKD0/ HKD1	Developing, publishing and operating online games	Limited liability company
Hefei Yueyou Network Technology Co., Ltd. ("**Yueyou**") 合肥悦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))* 合肥掌悦網絡科技有限公司	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))* 深圳掌悦網絡科技有限公司	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%	RMB20,000,000/ RMB20,000,000	Purchasing of raw materials and trading of high precision copper plates and strips	Limited liability company
Ningbo Xinyue Alloy Material Co., Ltd. 寧波鑫悦合金材料有限公司	The PRC, March 2018	–	100%	RMB100,000,000/ RMB100,000,000	Manufacture and sale of high precision copper plates and strips	Limited liability company

28 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
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
Shanghai Xingronghui Industrial Co., Ltd. 上海興榮惠實業有限公司	The PRC, July 2021	–	100%	RMB10,000,000/ RMB10,000,000	Purchasing of raw materials and trading of high precision copper plates and strips	Limited liability company
Ningbo Xinrui Alloy Materials Co., Ltd 寧波鑫瑞合金材料有限公司	The PRC, January 2023	–	100%	RMB14,000,000/ RMB30,000,000	Manufacture and sale of high precision copper plates and strips	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.

28 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 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.

28 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**") 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 2023, the Company had accumulatively contributed HKD54,510,000 (equivalent to RMB47,498,000) (2022: HKD35,010,000 (equivalent to RMB29,933,000)) to the Trust and the amount was recorded as "Investments in subsidiaries" in the Company's statement of financial position.

As at 31 December 2023, the Trustee had accumulatively purchased 47,586,000 shares (2022: 31,323,000 shares) of the Company at a total cost (including related transaction costs) of HKD50,044,000 (equivalent to RMB43,668,000) (2022: HKD32,061,000 (equivalent to RMB27,538,000)).

28 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:

	2023			2022		
	Average purchase price *HKD*	**No. of shares held**	**Value** *RMB'000*	Average purchase price *HKD*	No. of shares held	Value *RMB'000*
At 1 January	**1.02**	**9,937,000**	**9,597**	0.97	5,686,000	4,933
Shares purchased during the year	**1.11**	**16,263,000**	**16,130**	1.15	9,701,000	9,928
Shares vested during the year	**–**	**(7,000,000)**	**(6,874)**	–	(5,450,000)	(5,264)
At 31 December	**1.05**	**19,200,000**	**18,853**	1.02	9,937,000	9,597

According to the Resolution of the Board of Company on 17 December 2021, 10,900,000 ordinary shares held under the Share Award Scheme were granted to 6 directors and 5 employees of the Group at nil consideration, with 5,450,000 shares (tranche 1) and 5,450,000 shares (tranche 2) to be vested on 17 December 2021 and 2022 respectively. The vesting conditions are only subject to the service conditions. The grant date fair value of HKD1.15 per share (equivalent to approximately RMB0.94 per share) was determined by reference to the closing price of the Company's ordinary shares on 17 December 2021.

According to the Resolution of the Board of Company on 22 December 2023, 14,000,000 ordinary shares held under the Share Award Scheme were granted to 3 directors and 7 employees of the Group at nil consideration. The Award Shares will be vested in two tranches, 7,000,000 shares on 22 December 2023 and 7,000,000 shares on 23 December 2024, respectively. The fair value of these awarded shares was determined by reference to the closing price of the Company's ordinary shares on 22 December 2023, i.e. HKD1.06 per share (equivalent to RMB0.96 per share).

Accordingly, employee service cost of RMB6,907,000 (2022: RMB4,916,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2023.

28 INVESTMENTS IN SUBSIDIARIES (Continued)

(c) A trust for the Share Award Scheme (the "Trust") (Continued)

(ii) Movements in the number of awarded shares for the years ended 31 December 2023 and 2022 are as follows:

	Number of awarded shares
At 1 January 2022	5,450,000
Vested and transferred during the year	(5,450,000)
At 31 December 2022	–
Granted	14,000,000
Vested and transferred during the year	(7,000,000)
At 31 December 2023	7,000,000

During the year ended 31 December 2023, 7,000,000 out of the 14,000,000 award shares with a fair value of RMB13,484,000 (2022: RMB10,225,000) were vested and transferred to 3 directors and 7 employees of the Company.

29 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, bills receivables and deposits for metal future contracts is limited because the counterparties are banks and financial institutions with high credit ratings, for which the Group considers to have low credit risk. In respect of other debtors and other non-current assets, the Group has assessed that the expected credit loss rate for these receivables is immaterial and no loss allowance provision for these receivables was recognised during the reporting period. 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 risk 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, 6% (2022: 9%) and 22% (2022: 31%) 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.

29 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 lines:

Copper products related:

		2023	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	***RMB'000***	***RMB'000***
Current (not past due)	**1.4%**	**465,429**	**6,629**
1 – 90 days past due	**3.0%**	**198**	**6**
91 – 180 days past due	**4.2%**	**1,699**	**72**
More than 180 days past due	**10.0%**	**2,998**	**300**
		470,324	**7,007**

		2022	
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.7%	359,411	6,127
1 – 90 days past due	3.3%	2,686	89
91 – 180 days past due	4.5%	88	4
More than 180 days past due	19.7%	513	101
		362,698	6,321

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

(a) Credit risk (Continued)

Trade receivables (Continued)

Online games related:

	2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	***RMB'000***	***RMB'000***
Current (not past due)	**0.0%**	**1,779**	**–**
1 – 90 days past due	**5.0%**	**690**	**35**
91 – 180 days past due	**40.0%**	**42**	**17**
More than 180 days past due	**100.0%**	**7**	**7**
		2,518	**59**

	2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.0%	3,492	–
1 – 90 days past due	5.0%	980	49
91 – 180 days past due	40.0%	195	78
More than 180 days past due	100.0%	25	25
		4,692	152

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.

29 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:

	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**6,473**	15,108
Amounts written-off during the year	**(65)**	(9,855)
Impairment losses recognised during the year	**658**	1,220
Balance at 31 December	**7,066**	6,473

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting 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.

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

(b) Liquidity risk (Continued)

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.

	2023 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	**1,057,314**	**14,356**	**147,586**	**–**	**1,219,256**	**1,200,679**
Trade and other payables	**1,293,329**	**–**	**–**	**–**	**1,293,329**	**1,293,329**
Lease liabilities	**1,030**	**157**	**–**	**–**	**1,187**	**1,043**
	2,351,673	**14,513**	**147,586**	**–**	**2,513,772**	**2,495,051**

	2022 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	753,002	83,197	39,950	–	876,149	862,789
Trade and other payables	1,423,692	–	–	–	1,423,692	1,423,692
Lease liabilities	2,038	917	157	–	3,112	2,994
	2,178,732	84,114	40,107	–	2,302,953	2,289,475

29 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 currency. 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.

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

(c) Market risk (Continued)

(i) Currency risk (Continued)

Exposure to currency risk (Continued)

	2023			2022		
	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	**147,168**	**29,587**	**12,901**	163,424	–	9,654
Cash and cash equivalents	**58,167**	**–**	**8,776**	47,415	9	10,460
Restricted bank deposits	**21,248**	**–**	**–**	146,257	–	–
Interest-bearing borrowings	**(28,923)**	**–**	**–**	(22,316)	–	–
Trade and other payables	**(50,125)**	**(6,995)**	**(7,600)**	(126,631)	(10,553)	–
Exposure arising from recognised assets and liabilities	**147,535**	**22,592**	**14,077**	208,149	(10,544)	20,114

	Average rate		Rate at reporting date	
	2023	2022	**2023**	2022
USD 1	**7.0467**	6.7261	**7.0827**	6.9646
EUR 1	**7.6425**	7.0721	**7.8592**	7.4229
JPY 1	**0.0503**	0.0513	**0.0502**	0.0523

29 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 2023 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 2022.

	2023	2022
	RMB'000	*RMB'000*
Effect on profit after tax and equity (increase/(decrease))		
USD	**(5,533)**	(7,806)
EUR	**(847)**	395
JPY	**(528)**	(754)

A 5 percent weakening of the Renminbi against the above currencies at 31 December 2023 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.

29 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.

	2023	2022
	RMB'000	*RMB'000*
Fixed rate borrowings		
– Lease liabilities *(note 24)*	**1,043**	2,994
– Interest-bearing borrowings *(note 22)*	**827,080**	660,064
Variable rate borrowings		
– Interest-bearing borrowings *(note 22)*	**373,599**	202,725
	1,201,722	865,783

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 2023, 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 RMB2,802,000 (2022: RMB1,520,000).

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 2022.

29 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

29 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 2023	**Fair value measurements as at 31 December 2023 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Assets:				
Derivative financial instruments:				
– Metal future contracts	**249**	**249**	–	–
Liabilities:				
Derivative financial instruments:				
– Metal future contracts	**(5,460)**	**(5,460)**	–	–
– Foreign exchange forward contracts and swap contracts	**(955)**	**(955)**	–	–

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
Derivative financial instruments:				
– Foreign exchange forward contracts and option contracts	935	935	–	–
Liabilities:				
Derivative financial instruments:				
– Metal future contracts	(10,430)	(10,430)	–	–
– Foreign exchange forward contracts and option contracts	(169)	(169)	–	–

During the years ended 31 December 2023 and 2022, 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 transfers 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.

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

(d) Fair value measurement (Continued)

(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.

30 COMMITMENTS

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

	2023	2022
	RMB'000	*RMB'000*
Contracted for	**324,477**	450,519

31 RELATED PARTY TRANSACTIONS

Key management personal remuneration

Remuneration of 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:

	2023	2022
	RMB'000	*RMB'000*
Short-term employee benefits	**7,272**	6,269
Equity-settled share-based payments	**4,934**	3,743
Retirement scheme contributions	**62**	60
	12,268	10,072

32 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation. The classification would not have material impact on the consolidated financial statements.

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2023, the Directors consider the immediate and ultimate controlling parties of the Group to be various parties including 3 entities and 1 individual. The 3 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 2023

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 2023 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 IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 21, *Lack of Exchangeability*	1 January 2025
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

	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**6,323,174**	6,238,504	6,949,881	4,534,947	4,253,075
Gross profit	**610,334**	587,947	790,468	536,895	401,807
Profit attributable to equity shareholders of the Company	**187,447**	216,607	276,977	150,832	59,262

EARNINGS PER SHARE

	2023	2022	2021	2020	2019
Basic earnings per share (1) *(RMB)*	**0.21**	0.24	0.32	0.18	0.07
Diluted earnings per share (1) *(RMB)*	**0.21**	0.24	0.32	0.18	0.07

ASSETS, LIABILITIES AND EQUITY

	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**1,298,209**	1,045,676	967,917	924,590	1,003,367
Current assets	**3,341,358**	3,125,809	2,605,024	2,030,622	1,549,482
Total assets	**4,639,567**	4,171,485	3,572,941	2,955,212	2,552,849
Non-current liabilities	**193,763**	163,522	85,462	132,035	121,364
Current liabilities	**2,481,153**	2,222,433	1,918,608	1,592,120	1,318,640
Total liabilities	**2,674,916**	2,385,955	2,004,070	1,724,155	1,440,004
Net current assets/(liabilities)	**860,205**	903,376	686,416	438,502	230,842
Total assets less current liabilities	**2,158,414**	1,949,052	1,654,333	1,363,092	1,234,209
Total equity attributable to equity shareholders of the Company	**1,961,661**	1,782,785	1,566,345	1,228,897	1,110,928
Non-controlling interests	**2,990**	2,745	2,526	2,160	1,917

FIVE YEARS FINANCIAL SUMMARY

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2023	2022	2021	2020	2019
EBITDA *(RMB'000)*	**356,376**	382,636	495,026	307,014	216,481
Profitability ratios:					
Gross profit margin (2) *(%)*	**9.7%**	9.4%	11.4%	11.8%	9.4%
Operating profit margin (3) *(%)*	**3.5%**	3.7%	5.3%	3.7%	2.5%
Net profit margin (4) *(%)*	**3.0%**	3.5%	4.0%	3.3%	1.4%
EBITDA margin (5) *(%)*	**5.6%**	6.1%	7.1%	6.8%	5.1%
Rate of return on equity (6) *(%)*	**9.6%**	12.1%	17.7%	12.3%	5.3%
Liquidity ratios:					
Current ratio (7) *(times)*	**1.3**	1.2	1.4	1.3	1.2
Quick ratio (8) *(times)*	**0.8**	0.7	0.7	0.7	0.6
Inventory turnover (9) *(days)*	**56**	53	45	48	42
Trade receivable turnover (10) *(days)*	**28**	24	20	28	27
Trade payable turnover (11) *(days)*	**80**	71	45	46	36
Capital adequacy ratios:					
Gearing ratio (12) *(%)*	**32.1%**	33.0%	28.7%	36.2%	38.1%
Net gearing ratio (13) *(%)*	**9.6%**	8.9%	4.2%	34.1%	41.7%
Interest coverage ratio (14) *(times)*	**10.5**	12.2	13.6	10.5	6.0

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, lease liabilities and bills payable 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 restricted bank deposits 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.