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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 505)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of Huan Yue Interactive Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018 together with comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018
(Expressed in RMB)

	Note	**2018** *RMB'000*	2017 *RMB'000* *(Note)*
Revenue	*5*	**4,996,057**	4,495,001
Cost of sales		**(4,577,679)**	(3,970,567)
Gross profit		**418,378**	524,434
Other income	*6*	**39,520**	27,553
Distribution expenses		**(47,112)**	(52,128)
Administrative expenses		**(240,293)**	(205,349)
Other expenses	*7*	**(120,187)**	(80,345)

	Note	2018 RMB'000	2017 RMB'000 (Note)
Profit from operations		**50,306**	214,165
Finance income		**61,696**	13,814
Finance costs		**(60,573)**	(50,032)
Net finance income/(costs)	*8(a)*	**1,123**	(36,218)
Profit before taxation		**51,429**	177,947
Income tax	*9*	**(22,651)**	(39,153)
Profit for the year		**28,778**	138,794
Attributable to:			
Equity shareholders of the Company		**27,529**	135,544
Non-controlling interests		**1,249**	3,250
Profit for the year		**28,778**	138,794
Earnings per share			
Basic *(RMB)*	*10(a)*	**0.03**	0.16
Diluted *(RMB)*	*10(b)*	**0.03**	0.16

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in RMB)

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Profit for the year	**28,778**	138,794
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas operations	**(3,138)**	2,692
Other comprehensive income for the year	**(3,138)**	2,692
Total comprehensive income for the year	**25,640**	141,486
Attributable to:		
Equity shareholders of the Company	**24,391**	138,236
Non-controlling interests	**1,249**	3,250
Total comprehensive income for the year	**25,640**	141,486

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000 (Note)
Non-current assets			
Property, plant and equipment		**917,315**	978,621
Lease prepayments		**11,991**	13,351
Intangible assets		**1,994**	5,100
Goodwill	*11*	**28,289**	138,153
Deposits for acquisition of property, plant and equipment		**9,778**	4,823
Loans and receivables		**–**	3,037
Deferred tax assets		**28,016**	34,286
		997,383	1,177,371
Current assets			
Inventories	*12*	**670,327**	654,182
Trade and other receivables	*13*	**392,167**	529,726
Derivative financial instruments		**876**	1,765
Restricted bank deposits		**140,162**	116,093
Bank deposits with maturity over three months		**10,163**	10,000
Cash and cash equivalents		**175,950**	166,319
		1,389,645	1,478,085
Current liabilities			
Trade and other payables	*14*	**467,301**	615,299
Interest-bearing borrowings	*15*	**728,523**	627,751
Derivative financial instruments		**222**	11,607
Income tax payable		**21,926**	48,319
		1,217,972	1,302,976
Net current assets		**171,673**	175,109
Total assets less current liabilities		**1,169,056**	1,352,480
Non-current liabilities			
Interest-bearing borrowings	*15*	**45,500**	231,000
Contingent consideration payable		**–**	23,704
Deferred income		**43,693**	49,760
Deferred tax liabilities		**5,499**	8,775
		94,692	313,239
NET ASSETS		**1,074,364**	1,039,241
CAPITAL AND RESERVES			
Share capital		**77,417**	75,458
Reserves		**974,496**	936,714
Total equity attributable to equity shareholders of the Company		**1,051,913**	1,012,172
Non-controlling interests		**22,451**	27,069
TOTAL EQUITY		**1,074,364**	1,039,241

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

1 REPORTING ENTITY AND BACKGROUND INFORMATION

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

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**"). The principal activities of the Group are the manufacture and sales of high precision copper plates and strips, trading of raw materials, and provision of processing services. After the acquisition of an online games business in August 2016, the Group's activities also include developing, publishing and operating online games and provision of related services.

2 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.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3 CHANGE IN ACCOUNTING POLICIES

(a) Overview

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

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

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

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

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

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

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

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

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

(i) Classification of financial assets and financial liabilities

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

The adoption of IFRS 9 did not have material impact on the classification of the Group's financial assets and financial liabilities.

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

(ii) Credit losses

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

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

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

	IAS 39 carrying amount at 31 December 2017	**Remeasurement**	**IFRS 9 carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets carried at amortised cost			
Cash and cash equivalents	166,319	–	166,319
Bank deposits with maturity over three months	10,000	–	10,000
Restricted bank deposits	116,093	–	116,093
Trade and other receivables	482,791	(4,571)	478,220
Loans and receivables	3,037	–	3,037
	778,240	(4,571)	773,669
Financial assets carried at FVPL			
Derivative financial instruments	1,765	–	1,765

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

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

(iii) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assessing hedge effectiveness compared to IAS 39 to be applied, and the assessment is always forward-looking. The adoption of IFRS 9 has not had a significant impact on the Group's financial statements in this regard.

(iv) Transition

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

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

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) IFRS 15, Revenue from contracts with customers

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

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method. Therefore, comparative information has not been restated and continues to be reported under IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

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

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

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

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

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

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

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

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

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

(ii) Presentation of contract assets and liabilities

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

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

"Advances received from customers" amounting to RMB21,303,000, is now included in "Contract liabilities", which is included under trade and other payables.

"Deferred income – Others" amounting to RMB873,000, is now included in "Contract liabilities", which is included under trade and other payables.

(iii) ***Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018.***

The following table summarises the estimated impact of adoption of IFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under IFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under IAS 18 if those superseded standards had continued to apply to 2018 instead of IFRS 15. The table shows only those line items impacted by the adoption of IFRS 15:

	Amounts reported in accordance with IFRS 15 (A)	**Hypothetical amounts under IAS 18 (B)**	**Difference: Estimated impact of adoption of IFRS15 on 2018 (A)-(B)**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of IFRS 15:			
Trade and other payables	(467,301)	(466,860)	(441)
Total current liabilities	(1,217,972)	(1,217,531)	(441)
Net current assets	171,673	172,114	(441)
Total assets less current liabilities	1,169,056	1,169,497	(441)
Deferred income	(43,693)	(44,134)	441
Total non-current liabilities	(94,692)	(95,133)	441
Net assets	1,074,364	1,074,364	–
Total equity attributable to equity shareholders of the Company	(1,051,913)	(1,051,913)	–
Total equity	(1,074,364)	(1,074,364)	–

The differences arise as a result of the changes in accounting policies described above.

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

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

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

4 CHANGE IN ACCOUNTING ESTIMATES

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

Since the massive investment on equipment expenditures from 2012, the Group has devoted to increase its copper processing production capacity. To increase production capacity and assure product quality, the Group has purchased state-of-the-art equipment and machinery, which have a high degree of automation. In addition, the cycle to upgrade the copper processing equipment has shortened due to key technical parameters is changing in a faster pace in the copper processing industry. Therefore, it is expected that the current expected useful lives of the above property, plant and equipment is different from the useful lives originally estimated for such class of equipment.

These changes in estimated useful lives of these equipment were accounted for as changes in accounting estimates effective since 1 April 2018. The impact of these changes for the nine months period ended 31 December 2018 was an increase in depreciation expense of RMB18.2 million.

5 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 5(b).

(i) Disaggregation of revenue

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

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
Copper products related:		
– Sales of high precision copper plates and strips	**4,448,029**	4,004,431
– Processing service fees	**194,857**	203,616
– Trading of raw materials	**316,232**	245,089
	4,959,118	4,453,136
Online games related:		
– Technical service income	**–**	12,572
– Publishing and operating online games	**35,548**	28,015
– Others	**1,391**	1,278
	36,939	41,865
	4,996,057	4,495,001

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 (see note 3(c)).

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in notes 5(b)(i) and 5(b)(iv), respectively.

The Group's customer base is diversified and no single customer contributed over 10% of the total revenue of the Group during the years ended 31 December 2018 and 2017.

(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 needs not disclose the information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under all sales contracts that had an original expected duration of one year or less.

(b) Segment reporting

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

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

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

(i) Segment results, assets and liabilities

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

Segment assets include all assets, with the exception of unallocated corporate assets. Segment liabilities include all liabilities, with the exception of unallocated corporate liabilities.

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 are set out below.

	Copper products		Online games		Total	
	2018	2017	**2018**	2017	**2018**	2017
		(Note)		*(Note)*		*(Note)*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	**4,959,118**	4,453,136	**–**	7,817	**4,959,118**	4,460,953
Overtime	**–**	–	**36,939**	34,048	**36,939**	34,048
Revenue from external customers	**4,959,118**	4,453,136	**36,939**	41,865	**4,996,057**	4,495,001
Inter-segment revenue	**507**	520	**–**	–	**507**	520
Reportable segment revenue	**4,959,625**	4,453,656	**36,939**	41,865	**4,996,564**	4,495,521
Reportable segment profit/(loss) (profit/(loss) before taxation)	**108,856**	152,531	**(106,738)**	22,527	**2,118**	175,058
Interest income from bank deposits	**3,922**	1,635	**382**	52	**4,304**	1,687
Net interest expense	**(36,947)**	(40,334)	**(11)**	–	**(36,958)**	(40,334)
Depreciation and amortisation	**(101,532)**	(88,988)	**(3,204)**	(3,530)	**(104,736)**	(92,518)
Impairment losses of						
– plant and machinery	**–**	(38,802)	**–**	–	**–**	(38,802)
– goodwill	**–**	–	**(109,864)**	–	**(109,864)**	–
Reportable segment assets	**2,258,114**	2,451,499	**99,555**	204,137	**2,357,669**	2,655,636
Additions to non-current segment assets during the year	**48,984**	29,246	**205**	28	**49,189**	29,274
Reportable segment liabilities	**1,284,391**	1,554,249	**24,634**	20,492	**1,309,025**	1,574,741

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 (see note 3(c)).

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

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**4,996,564**	4,495,521
Elimination of inter-segment revenue	**(507)**	(520)
Consolidated revenue *(note 5(a))*	**4,996,057**	4,495,001

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation		
Reportable segment profit	**2,118**	175,058
Change in fair values of contingent consideration receivables and contingent consideration payables	**49,311**	2,889
Consolidated profit before taxation	**51,429**	177,947

(iii) Reconciliations of reportable segment assets and liabilities

	2018	2017
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**2,357,669**	2,655,636
Elimination of inter-segment receivables	**(189)**	(180)
Unallocated corporate assets	**29,548**	–
Consolidated total assets	**2,387,028**	2,655,456

	2018	2017
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**1,309,025**	1,574,741
Elimination of inter-segment payables	**(189)**	(180)
Unallocated corporate liabilities	**3,828**	41,654
Consolidated total liabilities	**1,312,664**	1,616,215

(iv) Geographic information

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

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Mainland China	**4,025,135**	3,788,254
Hong Kong	**262,936**	164,254
Singapore	**188,908**	186,259
Taiwan	**127,347**	75,615
Thailand	**96,474**	48,678
India	**77,737**	78,324
Bangladesh	**77,212**	59,857
Other countries	**140,308**	93,760
	4,996,057	4,495,001

The Group's specified non-current assets (excluding deferred tax assets) are all located in mainland China. 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.

6 OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Government grants	**20,656**	24,904
Gain on disposal of interest in a subsidiary	**454**	–
Gain on derivative financial instruments	**16,005**	–
Gain on disposal of property, plant and equipment	**40**	50
Others	**2,365**	2,599
	39,520	27,553

Government grants represent unconditional government grants of RMB8,663,000 (2017: RMB20,315,000) 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 RMB11,993,000 during the year ended 31 December 2018 (2017: RMB4,589,000).

7 OTHER EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Impairment losses on goodwill *(note 11)*	**109,864**	–
Impairment losses on property, plant and equipment	**–**	38,802
Impairment losses on trade receivables *(note 13)*	**10,051**	462
Loss on disposal of property, plant and equipment	**1**	21,887
Loss on derivative financial instruments	**–**	17,167
Loss on disposal of intangible assets	**–**	204
Others	**271**	1,823
	120,187	80,345

8 PROFIT BEFORE TAXATION

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

(a) Net finance income/(costs)

	2018	2017
	RMB'000	*RMB'000*
Interest income on bank deposits	**4,304**	1,687
Change in fair values of contingent consideration receivables and contingent consideration payables *(note 14(iii))*	**49,311**	2,889
Net foreign exchange gain	**–**	9,238
Gains from foreign exchange forward contracts	**8,081**	–
Finance income	**61,696**	13,814
Interest expenses	**(38,267)**	(42,335)
Less: interest expenses capitalised*	**1,309**	2,001
Net interest expense recognised in profit or loss	**(36,958)**	(40,334)
Net foreign exchange loss	**(23,615)**	–
Losses from foreign exchange forward contracts	**–**	(9,698)
Finance costs	**(60,573)**	(50,032)
Net finance income/(costs)	**1,123**	(36,218)

* The borrowing costs were capitalised at rates of 2.15%~5.15% per annum in 2018 (2017: 1.28%~5.73% per annum).

(b) Personnel costs

	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**142,328**	127,222
Contributions to defined contribution plan	**6,818**	6,174
	149,146	133,396

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

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

(c) Other items

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories *(i)*	**4,564,494**	3,963,051
Depreciation	**101,291**	88,703
Amortisation		
– Lease prepayments	**339**	359
– Intangible assets	**3,106**	3,456
Impairment loss on		
– property, plant and equipment	**–**	38,802
– goodwill *(note 11)*	**109,864**	–
Research and development expenditure (included in administrative expenses)	**134,932**	112,218
Operating lease charges	**1,596**	1,125
Auditor's remuneration-audit services	**2,480**	2,250

(i) Cost of inventories includes RMB116,007,000 (2017: RMB110,261,000) relating to staff costs and depreciation expenses whose amounts are also included in the respective total amounts disclosed separately above or in note 8(b) and 8(c) for each type of expense.

9 INCOME TAX

	2018	2017
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**25,186**	52,758
Over-provision in respect of prior year	**(8,965)**	(367)
	16,221	52,391
Deferred tax		
Origination and reversal of temporary differences	**6,621**	(7,401)
PRC withholding tax	**(191)**	(5,837)
	22,651	39,153

(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% (2017: 16.5%).

(iii) The provision for PRC income tax is based on the respective Corporate Income Tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

For the year ended 31 December 2018, the standard income tax rate for all companies established in the PRC was 25%, except for Hefei Yueyou Network Technology Co., Ltd. ("**Yueyou**"). Yueyou has been certified as a "Software Enterprise" and is entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years, starting from the first year in which revenue is generated. In accordance with the local tax authority's notice, the applicable income tax rates for Yueyou are 0% in 2017 and 2018, and 12.5% from 2019 to 2021.

(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 2018, a preferential withholding tax rate of 5% is applied, since Xingye Copper International (HK) Limited ("**Xingye Copper (HK)**"), the parent company of the Group's PRC subsidiaries, became entitled to the preferential withholding tax rate of 5%, having been certified as the tax resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". As a result, deferred tax liabilities of RMB5,000,000 (2017: RMB7,500,000) were recognised in connection with withholding tax that would be payable on the distribution of retained profits of the Group's PRC subsidiaries as at 31 December 2018.

10 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 RMB27,529,000 (2017: RMB135,544,000) and the weighted average number of 852,912,033 ordinary shares (2017: 825,455,631) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2018	2017
Ordinary shares in issue at 1 January	**828,655,617**	807,094,950
Effect of shares purchased/vested under Share Award Scheme *(note 17)*	**(189,140)**	(1,635,986)
Effect of new shares issued	**17,346,299**	14,079,845
Effect of ordinary shares issuable in connection with the contingent consideration payable relating to an acquisition	**7,099,257**	5,916,822
Weighted average number of ordinary shares in issue at 31 December	**852,912,033**	825,455,631

(b) Diluted earnings per share

The share awards granted by the Group have a dilutive effects on the earnings per share ("**EPS**"). Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share awards granted by the Group (collectively forming the denominator for computing the diluted EPS). No adjustment is made to earnings (numerator).

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB27,529,000 (2017: RMB135,544,000) and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares amounting to 856,735,616 ordinary shares (2017: 850,100,291), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2018	2017
Weighted average number of ordinary shares at 31 December (basic)	**852,912,033**	825,455,631
Effect of Share Award Scheme *(note 17)*	**3,823,583**	199,104
Effect of contingently issuable ordinary shares	**–**	24,445,556
Weighted average number of ordinary shares at 31 December (diluted)	**856,735,616**	850,100,291

11 GOODWILL

	RMB'000
Cost:	
At 1 January 2017, 31 December 2017 and 31 December 2018	138,153
Accumulated impairment loss:	
At 1 January 2017 and 31 December 2017	–
Impairment loss	(109,864)
At 31 December 2018	(109,864)
Net book value:	
At 31 December 2018	28,289
At 31 December 2017	138,153

Impairment tests for cash-generating units containing goodwill

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

	2018	2017
	RMB'000	*RMB'000*
Online games	**28,289**	138,153

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

	2018	2017
Pre-tax discount rate	**34.0%**	31.5%
Long-term revenue growth rate	**2.5%**	2.5%
Revenue growth rates over next five years	**(13.5%)-2.5%**	5%-29%

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average revenue growth rate of 2.5% (2017: 2.5%). The growth rate used does not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a pre-tax discount rate of 34.0% (2017: 31.5%). The discount rate used reflects specific risks relating to the relevant business. The revenue growth rates are based on past performance and expectations of market developments.

Due to the impact of the relevant regulatory policies, the launch time of new games was behind schedule, resulting in a lower revenue growth rate of online gaming business than previously forecasted. As the business environment of the online gaming industry remains uncertain in the future, the estimated recoverable amount of the cash-generating unit was lower than its carrying amount, hence an impairment loss of RMB109,864,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2018 (2017: Nil).

12 INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**117,894**	85,617
Work in progress	**412,895**	373,846
Finished goods	**139,016**	194,197
Others	**522**	522
	670,327	654,182

Provisions of RMB8,157,000 (2017: RMB6,269,000) were made against those inventories with net realisable value lower than carrying value as at 31 December 2018. Except for the above, none of the inventories as at 31 December 2018 were carried at net realisable value (2017: Nil).

Certain inventories with aggregate carrying amount of RMB310,000,000 were pledged as security for bank loans at 31 December 2018 (2017: RMB255,670,000) (note 15).

13 TRADE AND OTHER RECEIVABLES

		31 December 2018	**1 January 2018**	**31 December 2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivable, net of loss allowance	*(i)*	296,387	464,678	469,249
Deposits for metal future contracts		11,080	12,044	12,044
Other debtors		5,748	1,498	1,498
Financial assets measured at amortised cost		313,215	478,220	482,791
VAT recoverable		24,386	27,440	27,440
Prepayments		25,018	19,495	19,495
Contingent consideration receivables *(note 14 (iii))*		29,548	–	–
		392,167	525,155	529,726

Note:

(i) Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables (see note 3(b)).

All of the trade and other receivables (net of loss allowance) are expected to be recovered or recognised as expenses within one year.

As at 31 December 2018, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis, in the amount of RMB10,549,000 (2017: RMB10,176,000). In the opinion of the Directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled, and has recognised the cash received on the transfer as cash advances under discounted bills.

As at 31 December 2018, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2018, the Group's maximum exposure to loss and undiscounted cash outflow, which is the same as the amount payable by the Group to banks or suppliers in respect of discounted bills and endorsed bills should the issuing banks fail to settle the bills on maturity date, amounted to RMB23,216,000 (2017: RMB11,676,000).

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 loss allowance is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**278,726**	444,176
Over 3 months but less than 6 months	**16,641**	24,981
Over 6 months but less than 1 year	**959**	7
Over 1 year	**61**	85
	296,387	469,249

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.

As at 31 December 2018, the Group's bills receivables with aggregate carrying value of approximately RMB96,304,000 (2017: RMB161,815,000) were pledged to banks for issuance of bank acceptance bills.

Loss allowance for trade receivables

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.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables based on different business segments as at 31 December 2018:

Copper segment:

	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.9%	225,788	4,391
1 – 90 days past due	2.8%	143	4
91 – 180 days past due	5.0%	–	–
More than 180 days past due	31.4%	35	11
		225,966	4,406

Online games segment:

	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.0%	19,397	–
1 – 90 days past due	4.9%	1,215	60
91 – 180 days past due	30.3%	155	47
More than 180 days past due	98.5%	10,737	10,571
		31,504	10,678

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade receivables of RMB1,540,000 were determined to be impaired. The ageing analysis of trade receivables that were not considered to be impaired was as follows:

	2017
	RMB'000
Neither past due nor impaired	464,293
Less than 3 months past due	3,786
Over 3 months past due	92
	468,171

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018	2017
	RMB'000	*RMB'000*
Balance at 31 December 2017 under IAS 39	**462**	–
Impact on initial application of IFRS 9 *(note 3(b))*	**4,571**	–
Balance at 1 January	**5,033**	–
Impairment losses recognised during the year	**10,051**	462
Balance at 31 December	**15,084**	462

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2018:

– increase in amounts past due over 180 days resulted in an increase in loss allowance of RMB 10,582,000.

14 TRADE AND OTHER PAYABLES

	31 December 2018 *RMB'000*	1 January 2018 *RMB'000*	31 December 2017 *RMB'000*
Trade and bills payable *(ii)*	358,261	500,492	500,492
Staff benefits payable	28,668	24,588	24,588
Payables for purchase of property, plant and equipment	24,500	34,484	34,484
Accrued expenses and others	25,451	16,482	13,361
Financial liabilities measured at amortised cost	436,880	576,046	572,925
Advances received from customers *(i)*	–	–	24,424
Contract liabilities *(i)*	26,593	22,176	–
Contingent consideration payables *(iii)*	3,828	17,950	17,950
	467,301	616,172	615,299

(i) As a result of the adoption of IFRS 15, advances received from customers, net of value-added tax, are included in contract liabilities and disclosed above.

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 RMB22,176 thousand was recognised for the year ended 31 December 2018 that was included in the contract liability balance at the beginning of the reporting period.

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**351,057**	457,527
Over 3 months but within 6 months	**3,461**	23,160
Over 6 months but within 1 year	**1,301**	16,854
Over 1 year	**2,442**	2,951
	358,261	500,492

(iii) On 5 August 2016 (the "**Acquisition Date**"), the Company gained the control of Funnytime Limited ("**Funnytime**") and its subsidiaries (collectively, the "**Target Group**") by acquiring 100% of the shares and voting interest in Funnytime from the vendor Mobilefun Limited ("**Mobilefun** or the **Vendor**"), a company with 42% equity interest held by Mr. Ren Hao at the Acquisition Date. Mr. Ren is also one of the guarantors in the sales and purchase agreement (the "**SPA**") the Company entered in relation to the acquisition of Funnytime. Mr. Ren then became one of the directors of the Company in October 2016. Mr. Ren's controlling interests in Mobilefun changed from 42% to 72% on 18 July 2018.

Contingent consideration is settled in the form of cash and newly issued ordinary shares of the Company depending on the financial performance of the Target Group from 1 January 2016 to 31 December 2018 (the "**Performance Undertaking Period**"). Pursuant to the SPA, in the event that the adjusted net profit of Funnytime for the performance undertaking period is less than RMB70,000,000 (as defined in the SPA), the Vendor is subject to consideration adjustments, whereby the Vendor has to repay the Company cash in the amount of HKD40,135,567, and the remaining number of consideration shares issuable to the Vendor should be adjusted to 6,424,734 shares.

The fair values of the contingent consideration receivables and contingent consideration payables as at 31 December 2018 were RMB29,548,000 and RMB3,828,000, respectively, with a fair value gain of approximately RMB49,311,000 recognised as finance income (note 8(a)) during the year ended 31 December 2018. The fair values are categorised as Level 3 measurement.

The fair value of contingent consideration receivables was estimated as being the present value of future cash flows, applying a risk-adjusted discount rate. The fair value of contingent consideration payables was estimated as being the number of issuable shares, applying the closing price of the Company's ordinary shares on 31 December 2018.

15 INTEREST-BEARING BORROWINGS

At 31 December 2018, interest-bearing borrowings were repayable based on scheduled repayment dates set out in the underlying loan agreements as follows:

	2018	2017
	RMB'000	*RMB'000*
Current		
Short-term secured bank loans	**437,360**	469,893
Unsecured bank loans	**48,986**	112,413
Bank advances under discounted bills	**111,177**	45,445
Current portion of non-current secured bank loans	**131,000**	–
	728,523	627,751
Non-current		
Secured bank loans	**45,500**	231,000
	774,023	858,751

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**728,523**	627,751
Over 1 year but less than 2 years	**45,500**	171,000
Over 2 years but less than 5 years	**–**	60,000
	45,500	231,000
	774,023	858,751

(ii) The Group's interest-bearing borrowings in the amount of RMB311,000,000 (2017: RMB420,500,000) are subject to the fulfilment of financial covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. As at and during the year ended 31 December 2018, none of these covenants related to drawn down facilities were breached.

(iii) The secured bank loans as at 31 December 2018 bore interest at rates ranging from 2.81% to 4.99% (2017: 2.15% to 7.5%) per annum and were pledged by the following assets:

	2018	2017
	RMB'000	*RMB'000*
Carrying amounts of assets:		
Inventories	**310,000**	255,670
Property, plant and equipment	**537,920**	611,444
Lease prepayments	**11,991**	13,351
Guarantee deposits for bank borrowings	**61,778**	58,818
	921,689	939,283

(iv) Unsecured bank loans as at 31 December 2018 bore interest at rates ranging from 3.59% to 3.65% (2017: 2.21% to 4.35%) per annum.

16 DIVIDENDS

No final dividend was declared to equity shareholders of the Company for the year ended 31 December 2018 (2017: Nil).

17 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

The Company has appointed a trustee for administration of the Share Award Scheme (the "**Trustee**"). The principal activity of the Trustee is administrating and holding the Company's shares for the Share Award Scheme for the benefit of the Company's eligible employees. Pursuant to the Share Award Scheme, the Company's shares will be purchased by the Trustee in the market out of cash contributed by the Company and held in the Trust for relevant employees until such shares are vested in the relevant beneficiary in accordance with the provisions of the Share Award Scheme at no cost. The total number of the 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 2018, the Company had contributed HKD12,010,000 (equivalent to RMB10,136,000) (2017: HKD7,000,000 (equivalent to RMB6,078,000)) to the Trust and the amount was recorded as "Investments in subsidiaries" in the Company's statement of financial position.

As at 31 December 2018, the Trustee had purchased 8,688,000 shares (2017: 8,137,000 shares) of the Company at a total cost (including related transaction costs) of HKD7,550,000 (equivalent to RMB6,525,000) (2017: HKD6,999,000 (equivalent to RMB6,124,000)).

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

	2018			2017		
	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	**0.86**	**7,737,000**	**5,817**	0.92	4,021,000	3,256
Shares purchased during the year	**1.00**	**551,000**	**401**	0.80	4,116,000	2,868
Shares vested and transferred to an employee during the year	**–**	**(300,000)**	**(225)**	–	(400,000)	(307)
Shares vested during the previous year and transferred to employees during the year	**–**	**(5,280,000)**	**(3,829)**	–	–	–
At 31 December	**0.87**	**2,708,000**	**2,164**	0.86	7,737,000	5,817

According to the resolution of the administration committee of the Share Award Scheme on 26 May 2017, 1,000,000 ordinary shares held under the Share Award Scheme were granted to an employee of the Group at nil consideration, with 40%, 30% and 30% of the shares to be vested on 15 June 2017, 15 June 2018 and 15 June 2019, respectively. The vesting conditions are only subject to the service conditions. The grant date fair value of HKD0.7 per share (equivalent to approximately RMB0.62 per share) was determined with reference to the closing price of the Company's ordinary shares on 26 May 2017. 400,000 and 300,000 awarded shares were vested and transferred to the grantee during 2017 and 2018, respectively.

According to the resolution of the Board of the Company on 13 December 2017, 10,060,000 ordinary shares held under the Share Award Scheme were granted to 9 directors and 91 employees of the Group at nil consideration, with 5,280,000 shares (tranche 1), 2,152,000 shares (tranche 2) and 2,628,000 shares (tranche 3) to be vested on 13 December 2017, 13 December 2018 and 13 December 2019, respectively. The vesting conditions are only subject to the service conditions. The grant date fair value of HKD0.85 per share (equivalent to approximately RMB0.72 per share) was determined with reference to the closing price of the Company's ordinary shares on 13 December 2017. 5,280,000 awarded shares were vested on 13 December 2017, and transferred to grantees during 2018.

According to the resolution of the Board of the Company on 13 December 2018, in order to maintain the employment service of the grantees with the Group for a longer term, the vesting of tranche 2 and tranche 3 awarded shares have been postponed for one year to 13 December 2019 and 13 December 2020, respectively. The modification was not beneficial to the grantees, therefore there was no impact of the fair value cost of the awarded shares. A service cost of RMB2,264,000 was recognised in the consolidated statement of profit or loss.

(ii) Movements in the number of awarded shares for the years ended 31 December 2018 and 2017 are as follows:

	Number of awarded shares
At 1 January 2017	–
Granted	11,060,000
Vested and transferred during the year	(400,000)
At 31 December 2017	10,660,000
Vested but not transferred as at 31 December 2017	5,280,000
Vested and transferred during the year	(300,000)
Vested during the previous year and transferred during the year	(5,280,000)
Forfeiture	(180,000)
At 31 December 2018	4,900,000
Vested but not transferred as at 31 December 2018	–

During the year ended 31 December 2018, nil shares (2017: 4,800,000 out of the 11,060,000 awarded shares with a fair value of RMB3,463,000) were granted to directors (2017: nine directors) of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

The Group's total revenue amounted to RMB4,996.1 million, representing a growth rate of 11.1% compared to RMB4,495.0 million in 2017. The Group's profit attributable to the shareholders decreased by 79.7%, from RMB135.5 million in 2017 to RMB27.5 million.

COPPER PROCESSING BUSINESS

Market and Industry Review

In 2018, the movement of copper price represented a downward trend. The copper price at London Metal Exchange ("**LME**") soared to USD7,348 per ton in early June, and then dropped sharply to below USD6,000 per ton. In 2018, most labor negotiations of overseas large-scale copper refineries ended smoothly, and the global copper and refinery output was not substantially affected. The supply and demand of global copper and refined ore were in a tight balance, and the shortage of supply is expected to expand in the next two years. In 2018, China's copper output had a steady rise, its import volume showed a double-digit growth. The growth rate of China's copper consumption was slightly lower than that of 2017. An increase in its excessive supply volume was also registered. It is expected that a small amount of excessive supply volume will remain in 2019, and the excessive supply of refined copper will be narrowed to a certain degree. China will continue to tighten its policies for the imports of copper scrap, and the imports of copper scrap will go through a further decrease. Apart from the slowdown on the demand side, the rising tension of the US-China trade war, the setbacks during the global macroeconomics recovery, and the strong USD associated with the rising interest-rate environment, are the main factors driving the copper price down.

The overall domestic copper plates and strips industry did well in 2018, the production volume growth of industry major enterprises was faster than the average level of copper processing industry. The utilisation rate of production capacity was higher than that of previous years, the market concertation level was further enhanced. The growth of exports was faster than the imports, and the net imports continued contracting. However, the exports volume was much smaller than the imports volume.

1. ***The industry production operated well, the growth of production volume was faster than the production capacity.***

   According to Antaike, a copper industry consulting firm, the domestic production capacity of copper plates and strips processing industry is close to 4,626,000 tons in 2018, representing an increase of 5.19% as compared to that of the corresponding period of last year. The production volume reached 3,540,000 tons, representing an increase of 8.59% as compared to that of the corresponding period of last year. The utilisation rate of production capacity was approximately 75% in 2018, representing an increase of 2.35 percentage points from 72.65% in 2017.

2. ***The production capacity continued to expand, the market concentration rate is becoming higher.***

According to the research of Antaike, the domestic addition of production capacity will be approximately 963,000 tons in total from 2018 to 2020, the production capacity will be released gradually from 2018 to 2020, and the production capacity put into operation in 2018 is approximately 263,000 tons.

3. ***The growth rate of exports was faster than the imports, but the exports volume was much smaller than the imports volume.***

In 2018, the trading volume of copper plates and strips in PRC reached 176,900 tons, representing an increase of 4.67% as compared to that of the corresponding period of last year. In terms of imports, 133,800 tons of different types of copper plates and strips were imported in 2018, representing a small increase of 0.6% as compared to that of the corresponding period of last year. Imports amounted to USD1.298 billion, representing an increase of 12.67% as compared to that of the corresponding period of last year. The average price of imports reached USD9.70 per kg, representing an increase of 11.62% as compared to that of the corresponding period of last year.

In terms of exports, 43,100 tons of different types of copper plates and strips were exported in 2018, representing an increase of 19.72% as compared to that of the corresponding period of last year. Exports amounted to USD359 million, representing an increase of 25.09% as compared to that of the corresponding period of last year. The average price of exports reached USD8.34 per kg, representing an increase of 4.64% as compared to that of the corresponding period of last year. The average price of exports was far below the average of price of imports, indicating that the quality level of products exported still needs to be enhanced. The net imports reached 90,700 tons in 2018, representing a decrease of 6,300 tons of last year. This shows a continuing contracting trend, indicating that with the improvement of production technical level, China's copper plates and strips industry is gradually realising imports substitution, and the reliance on imported copper plates and strips is declining. Meanwhile, among the total volume of copper processing materials, copper plates and strips accounted for 62.62%, which are the largest imported products in copper materials. This illustrates there is large market space and development potential in domestic high-end copper plates and strips products.

Business Review

During the reporting year, the Group's copper processing business realised a total revenue of RMB4,959.2 million and sales volume of 143,979 tons, representing an increase of 11.4% and 3.8% respectively over 2017. The revenue from manufacturing and sales of precision copper plates and strips was RMB4,448.1 million, representing an increase of 11.1% from RMB4,004.4 million of last year. The sales volume of precision copper plates and strips was 96,185 tons, representing an increase of 7.3% from 89,607 tons in the same period of last year. The increase in copper plates and strips revenue was mainly due to an increase in sales volume. During the reporting period, copper products processing services revenue reached RMB194.9 million, representing a decrease of 4.3% from RMB203.6 million of last year. The volume of processing services was 38,128 tons, representing a decrease of 5.7% from 40,442 tons of last year. During the reporting period, revenue from trading of raw materials was RMB316.2 million, representing an increase of 29.0% from RMB245.1 million of last year. While trade sales were 9,666 tons, representing an increase of 10.9% from 8,717 tons of last year.

Business Development

In 2018, in the spirit of our working guidelines “structure adjustment, efficiency improvement, cost reduction and development seeking”, the Group initiated the seven-module framework, i.e. “market expansion, quality stabilisation, focus on research and development, strong governance, enhancing information technology structure, culture promotion, human talent nurture”, in order to practically tackle the challenges during the transformation and upgrading.

The development strategy of the Group’s copper processing business during the year was to enhance the proportion of high value-added products, so as to earn the high profit return for the Company, and build a solid foundation for the long-term development of the Company thereafter. Through the efforts of production and sales department, during the reporting year, the proportion of high value-added products of the Group exceeded expectations.

Meanwhile, the Group actively explored other measures of cost reduction. Although there was the effect of limitation policies on imports of seven types of copper scraps, causing the overall intense supply of copper scraps and the rise of raw materials costs, the Group weathered the business toughness through actively developing new suppliers which located closer to our factory to reduce transportation costs, and cooperating with our customers to retrieve copper scraps form them. We also strived to reduce the costs of spare parts and costs of supplementary materials. We enhanced the product yield and reduced rework rate and accelerated the turnover of materials through the continuous improvement of our production technics flow.

In addition, the Group implemented management improvements, reorganised corporate functions of several departments including sales, finance purchase and human resources. We also reviewed our workflows of many of our administrative functions to smooth the workflow and improve efficiency. During the reporting year, Ningbo Xingye Shengtai was accredited as “National Enterprise Technology Centre”, which is a milestone for our efforts in the areas of technical research and development, and extended the Group’s leading position in the domestic copper plates and strips industry.

Outlook

In 2019, the Group will march forward through innovation and pursuit of excellence. We will continue to adjust our product structure, improve our product quality, implement management innovation, improve our efficiency, reduce all kinds of costs, and encourage “family” culture. The Group will embrace the working guidelines of “expansion and innovation, quality stabilisation and cost reduction, improvement and development”, and strive to bring stable return for our shareholders.

ONLINE GAMES BUSINESS

Industry Review

According to *2018 China Game Industry Reports* ("**Report**"), China's game industry had a slowdown in growth rate. The overall operating revenue amounted to RMB214.4 billion, representing an increase of 5.3% as compared to that of last year. The growth rate of 2018 is lower than that of the previous years, and it is the first time for the rate to drop to below 10%. From segment perspective, the revenue from mobile games is RMB134.0 billion, accounting for 62.5% of the total market. The revenue from user-terminal games is RMB62.0 billion, accounting for 28.9%, and the revenue from web games is RMB12.6 billion, accounting for 5.9% of the total market. The market scales of user-terminal games and web games are shrinking, and the growth rate of mobile games has slowed down, but still keeps a growth rate of 15.4%, driving the overall growth of the gaming industry.

According to the Report, in 2018, the number of mobile game players reached approximately 605 million, representing an increase of 9.2% compared to that of last year; user-terminal game players amounted to approximately 150 million, representing a decrease of 5.0% compared to that of last year; web game players amounted to approximately 223 million, representing a decrease of 13.0% as compared to that of last year. The overall increase in game players is mainly contributed by the increase of mobile game players.

The authority supervising the online gaming industry stopped issuing monetisation license ("**banhao**") approvals for online games since March 2018, affecting the entire gaming industry fundamentally. Under such circumstances, the online gaming industry is becoming more divided. The big companies with ample product supply and cash not only survived the period without banhao, but also achieved revenue growth. Whereas, small to median size companies have suffered losses. Looking forward, China's gaming market will still be dominated by big players, while small to median players need to focus on quality and niche markets.

Business Review

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

Funnytime achieved total revenue of RMB36.9 million and net profit of RMB3.1 million for the year ended 31 December 2018, representing a decrease of 11.9% and 85.6% respectively over 2017. The adjusted net profit (as defined in the sale and purchase agreement) is RMB3.7 million for year 2018, representing a decrease of 83.8% over RMB22.9 million of year 2017. The significant drop in net profit is due to the following facts: (i) the launch of Funnytime's new gaming products was behind schedule, and the growth of web game operation is slower than previously forecasted; and (ii) Funnytime accrued allowances for doubtful receivables arising from technical services of RMB10.4 million.

According to the SPA, Funnytime shall achieve performance target of net profit (after adjustments for pre-agreed items as stipulated in the sales and purchase agreement) of RMB18,000,000, RMB22,000,000 and RMB30,000,000 for the years ended 31 December 2016, 31 December 2017 and 31 December 2018, respectively, and the total anticipated net profit shall be RMB70,000,000. Funnytime's adjusted net profit has fulfilled its performance targets for year 2016 and 2017, but did not achieve the performance target for year 2018. The total adjusted net profit for the Performance Undertaking Period is RMB45,780,262, which is less than the total anticipated net income of RMB70,000,000 by RMB24,219,738. In April 2017 and April 2018, 19,996,667 and 24,445,556 consideration shares were allotted and issued to Mobilefun respectively. In August 2016, February 2017 and March 2017, the Company paid HKD95,922,191.61, HKD16,740,000.00 and HKD1,860,000.00, a total amount of HKD114,522,191.61 (excluding the transaction costs) to the Vendor as cash consideration.

According to the SPA, the Vendor is subject to consideration adjustments, whereby the Vendor has to repay the Company cash in the amount of HKD40.1 million, and the remaining number of consideration shares issuable to the Vendor should be adjusted to 6.4 million shares. The details of the consideration adjustments mechanism can be referred to the announcement of the Company dated 21 June 2016. As at the date of this announcement, the Company and the Vendor are still discussing the settlement plans for the consideration adjustments. The current guarantors of the Vendor under the SPA are Mr. Ren Hao and Mr. Yang Jiong. Mr. Tong Xin was relieved in July 2018 from acting as one of the guarantors after his disposal of all his interest in the Vendor to Mr. Ren Hao. The Board is of the view that such change of guarantor would not have any material adverse impact to the Group as Mr. Ren Hao and Mr. Yang Jiong would continue to remain as guarantors to the Vendor. The Company will issue further announcement(s) for any material development of the above as and where appropriate.

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

Due to the impact of the relevant regulatory policies, the release schedule of some games was affected, and the launch time was delayed, resulting in lower revenue growth rate of the game operation business than previously forecasted. As the business environment remains uncertain, the future revenue growth of the operation of online games will be lower than forecasted. Therefore, an impairment of goodwill in the amount of RMB109.9 million in relation to the acquisition of Funnytime is recorded for the year ended 31 December 2018.

Business Development

Operation Center

Although the entire gaming industry experienced hard time due to the suspension of issuing banhao by the authority, Hefei Zhangyue Network Technology Co., Ltd. (合肥掌悅網絡科技有限公司) (“**Zhangyue**”), a subsidiary of the Group’s online game business, was able to maintain a stable development, by leveraging its competitive advantage in the operations of traditional web game business, and tapping into the operations of mobile games.

Gross revenue from multiple web game products including the Art of War and Three Kingdoms（《兵法三國》）, The Rise of Taiji（《太极崛起》）, and Ambition of Three Kingdoms 2（《三國之志2》）was encouraging, with each product averaging a monthly gross revenue around RMB2.5 million to RMB3 million. Apart from the traditional web games, Zhangyue launched King of Box Office（《票房大賣王》）, a casual mobile game on Android phones in October 2018. The game was an immediate success with the first month gross revenue of RMB3.6 million. The popularity of King of Box Office（《票房大賣王》）was a result of Zhangyue’s continuous endeavor to diversify its game portfolio and cultivate the mobile game business over the past two years. Also in the second half of the year, Zhangyue extended its presence in the H5 game sector by launching Little Home（《小小家園》）, also known as Interesting Hospital (《萌趣醫院》) on WeChat Mini Game platform.

Research and Development Center

In 2018, Zhangyue adjusted its research and development (“**R&D**”) strategy, switching from traditional web game R&D to H5 game and mobile game R&D. Self-developed mythical heroes-themed H5 games and a mythical heroes-themed mobile game were being developed throughout the year. Due to staff reorganization of the R&D center during the year, the progress of game development was behind schedule.

Outlook

As the game industry becomes increasingly competitive, Zhangyue is going through transformation to adapt to new industry trends as well. Zhangyue actively explores game business opportunities in H5 games and mobile games in order to provide breakthroughs in its business. Zhangyue is committed to constantly bring high quality games to the market, and focus on improving player experiences of existing games. Several anticipated games are in the pipeline, among which, a renowned Intellectual Product ("**IP**") game is being negotiated. Although, the Performance Undertaking Period ended as at 31 December 2018, the game business will still remain with the Group, and we expect the game business will still be a contributor for the Group's revenue and net profit.

FINANCIAL REVIEW

Revenue and gross profit

The Group's copper business achieved a total revenue of RMB4,959.2 million for the year ended 31 December 2018, and the Group's online game business achieved revenue of RMB36.9 million.

For the year ended 31 December 2018, the Group recorded total sales revenue of RMB4,996.1 million, which increased by 11.1% from RMB4,495.0 million of last year. The increase in the revenue of the Group's copper business was mainly due to an increase in sales volume of copper products.

The Group sold 143,979 tons of copper products, which increased by 3.8% from 138,766 tons of 2017.

The Group recorded a gross profit of RMB418.4 million in 2018, which decreased by 20.2% as compared with 2017. The decrease in gross profit is mainly due to the increase in raw material costs.

Other income

For the year ended 31 December 2018, the Group recorded other income of RMB39.5 million, which increased by RMB11.9 million as compared to 2017. The Group had gains from derivative financial instruments of RMB16.0 million in 2018 (2017: Nil).

Other expenses

For the year ended 31 December 2018, other expenses of the Group was RMB120.2 million, which increased by RMB39.9 million from RMB80.3 million in 2017. This was mainly because the Group had impairment losses on goodwill in 2018 related to the acquisition of 100% interest in Funnytime in August 2016 of RMB109.9 million. In 2017, the Group recognised impairment losses of property, plant and equipment of RMB38.8 million and loss on disposal of property, plant and equipment of RMB21.9 million.

Distribution expenses

For the year ended 31 December 2018, the distribution expenses of the Group decreased by RMB5.0 million from RMB52.1 million of 2017 to RMB47.1 million of 2018.

Administrative expenses

For the year ended 31 December 2018, administrative expenses of the Group increased by RMB35.0 million from RMB205.3 million of 2017 to RMB240.3 million of 2018, which was mainly due to an increase in R&D expenses.

Net finance income/(costs)

For the year ended 31 December 2018, the Group's net finance income was RMB1.1 million (2017: net finance costs of RMB36.2 million). The increase in finance income was mainly due to the gain on fair values change of contingent consideration receivables and contingent consideration payables.

Income tax

For the year ended 31 December 2018, the Group's income tax expenses decreased by RMB16.5 million to RMB22.7 million from RMB39.2 million of 2017, and the effective tax rate decreased to 20.2% (excluding impairment loss on goodwill and fair value change of contingent consideration) from 22.0% of last year, which was mainly because the Group's two major subsidiaries received tax refund in April and May 2018, because the two subsidiaries were entitled to income tax super deduction for qualified research and development expenses in 2017.

Profit attributable to the shareholders of the Company

As a result of the aforementioned factors, during the year, the profit attributable to the shareholders of the Company decreased by RMB108.0 million to RMB27.5 million from RMB135.5 million of 2017.

Liquidity and financial resources

As at 31 December 2018, the Group recorded net current assets of RMB171.7 million, compared with net current assets of RMB175.1 million as at 31 December 2017.

The short-term interest-bearing borrowings represented 94.1% of total interest-bearing borrowings as of 31 December 2018. As at the date of this announcement, the Group had not experienced any difficulty in raising funds by securing and rolling over the short-term loans borrowed from various banks in the PRC, which were renewed on an annual basis in accordance with local market practice.

The Group is able to generate cash from operating activities, has good credit standing and relationships with principal lending banks, and possesses available undrawn banking facilities together with bank deposits of RMB999.5 million (including long term loan facilities amounted to RMB60.4 million effective until 2020) and RMB326.3 million (comprised of restricted bank deposits of RMB140.1 million, bank deposits with maturity over three months of RMB10.2 million and cash and cash equivalents of RMB176.0 million) respectively. Based on previous experience and the Group's relationships with its principal lending banks, the Board believes that the Group can roll over existing short-term bank borrowings upon maturity in the coming year. The Board is confident that the Group has adequate financial resources to sustain its working capital requirements and meet its foreseeable debt repayment requirements.

As at 31 December 2018, the Group had outstanding bank loans and other borrowings of approximately RMB728.5 million which shall be repaid within 1 year. As at 31 December 2018, 79.3% of the Group's debts were on a secured basis.

The net gearing ratio as at 31 December 2018 was 36.2% (31 December 2017: 40.6%), which is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity attributable to equity shareholders of the Company, as shown in the consolidated statement of financial position, plus net debt.

Charge on assets

As at 31 December 2018, the Group pledged assets with an aggregate carrying value of RMB921.7 million (31 December 2017: RMB939.3 million) to secure bank loan facilities.

Capital expenditure

For the year ended 31 December 2018, the Group had invested RMB55.5 million in the purchase of property, plant and equipment. These capital expenditures were largely financed by internal resources and bank loans.

Capital commitments

As at 31 December 2018, future capital expenditures, for which the Group had contracted but not provided for, amounted to approximately RMB18.8 million.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities.

MARKET RISK

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

EMPLOYEES

As at 31 December 2018, the Group had 1,290 employees, of which the copper business and online gaming business had 1,228 and 62 employees respectively. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to our employees. Benefits of the employees include salaries, pension, medical insurance scheme and other applicable social insurance. In addition, share options or share awards may be granted or awarded to eligible employees of the Group (including directors) in accordance with the terms of the approved share option scheme or share award scheme respectively. Promotion and salary increments are assessed based on performance. The Group's success is dependent upon the skills and dedication of its employees. The Group recognises the importance of human resources in a competitive industry and has devoted resources to train employees. The Group has established an annual training program for our employees so that new employees can master the skills required to perform their roles and responsibilities and the existing employees can upgrade or improve their skills.

ENVIRONMENTAL AND REGULATORY POLICES

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

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

On 8 August 2018, Ningbo Xingye Shengtai Group Limited ("**Ningbo Xingye**"), a subsidiary of the Group's copper processing business, received a penalty letter from Ningbo Municipal Bureau of Ecology and Environment (the "**Bureau**"). In the letter, the Bureau stated that during the inspection performed by the Bureau on 4 June 2018, it found that in the premise of Ningbo Xingye, two sets of acid mist waste gas treatment equipment were not operating normally. The Bureau requested Ningbo Xingye to correct the misconduct and fined Ningbo Xingye of RMB 130,000. Ningbo Xingye corrected the misconduct immediately and paid the fine. The penalty did not have material impact on the operation of Ningbo Xingye's business.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018, except that 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 551,000 shares of the Company at a total consideration of HKD551,000 (equivalent to RMB401,000) during the year.

PRE-EMPTIVE RIGHTS

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules during the year. Having made specific enquiries of Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

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

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises two independent non-executive Directors namely, Mr. Chai Chaoming and Ms. Lu Hong and one non-executive Director, Mr. Dai Jianchun. The audit committee has reviewed the audited financial statements for the year ended 31 December 2018 and has also discussed and reviewed audit matters, risk management, internal control, continuing connected transactions and financial reporting matters including accounting practices and principles adopted by the Group.

AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, KPMG, to the amounts set out in the Group's consolidated financial statements for the year.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company who are entitled to attend and vote at the forthcoming annual general meeting to be held on 14 June 2019, the register of members of the Company will be closed from 11 June 2019 to 14 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 10 June 2019.

PUBLICATION OF 2018 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website (www.huanyue.com.hk) and the Stock Exchange's designated website (www.hkexnews.com.hk). The Company's 2018 Annual Report and notice of annual general meeting will be made available on the above websites and will be despatched to the Company's shareholders in due course.

By order of the Board
Huan Yue Interactive Holdings Limited
HU Minglie
Chief Executive officer and
Executive Director

Hong Kong, 29 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Hu Changyuan, Mr. Hu Minglie, Mr. Zhu Wenjun, Mr. Ren Hao, the non-executive director of the Company is Mr. Dai Jianchun and the independent non-executive directors of the Company are Mr. Chai Chaoming, Dr. Lou Dong and Ms. Lu Hong.