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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 2019

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 2019 together with comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019
(Expressed in RMB)

	Note	**2019** **RMB'000**	2018 RMB'000 (Note)
Revenue	4	**4,253,075**	4,996,057
Cost of sales		**(3,851,268)**	(4,577,679)
Gross profit		**401,807**	418,378
Other income	5	**21,469**	39,520
Distribution expenses		**(46,336)**	(47,112)
Administrative expenses		**(234,451)**	(240,293)
Other expenses	6	**(36,334)**	(120,187)

	Note	**2019**	2018
		RMB'000	*RMB'000*
			(Note)
Profit from operations		**106,155**	50,306
Finance income		**7,512**	61,696
Finance costs		**(38,210)**	(60,573)
Net finance (costs)/income	*7(a)*	**(30,698)**	1,123
Profit before taxation		**75,457**	51,429
Income tax	*8*	**(15,275)**	(22,651)
Profit for the year		**60,182**	28,778
Attributable to:			
Equity shareholders of the Company		**59,262**	27,529
Non-controlling interests		**920**	1,249
Profit for the year		**60,182**	28,778
Earnings per share			
Basic *(RMB)*	*9(a)*	**0.07**	0.03
Diluted *(RMB)*	*9(b)*	**0.07**	0.03

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in RMB)

	2019	2018
	RMB'000	*RMB'000*
		(Note)
Profit for the year	**60,182**	28,778
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	**949**	(3,138)
Other comprehensive income for the year	**949**	(3,138)
Total comprehensive income for the year	**61,131**	25,640
Attributable to:		
Equity shareholders of the Company	**60,211**	24,391
Non-controlling interests	**920**	1,249
Total comprehensive income for the year	**61,131**	25,640

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000 (Note)
Non-current assets			
Property, plant and equipment		**885,206**	917,315
Right-of-use assets	*10*	**74,440**	–
Lease prepayments		**–**	11,991
Intangible assets		**1,382**	1,994
Goodwill	*11*	**–**	28,289
Deposits for acquisition of property, plant and equipment		**1,224**	9,778
Other non-current assets		**7,490**	–
Deferred tax assets		**33,625**	28,016
		1,003,367	997,383
Current assets			
Inventories	*12*	**697,284**	670,327
Trade and other receivables	*13*	**386,875**	392,167
Derivative financial instruments		**565**	876
Structured bank deposits		**20,118**	–
Restricted bank deposits		**221,490**	140,162
Bank deposits with maturity over three months		**60,000**	10,163
Cash and cash equivalents		**163,150**	175,950
		1,549,482	1,389,645
Current liabilities			
Derivative financial instruments		**7,775**	222
Interest-bearing borrowings	*14*	**768,941**	728,523
Trade and other payables	*15*	**521,515**	467,301
Lease liabilities	*16*	**1,040**	–
Income tax payable		**19,369**	21,926
		1,318,640	1,217,972
Net current assets		**230,842**	171,673
Total assets less current liabilities		**1,234,209**	1,169,056
Non-current liabilities			
Interest-bearing borrowings	*14*	**77,000**	45,500
Lease liabilities	*16*	**700**	–
Deferred income		**41,818**	43,693
Deferred tax liabilities		**1,846**	5,499
		121,364	94,692
NET ASSETS		**1,112,845**	1,074,364
CAPITAL AND RESERVES			
Share capital		**77,417**	77,417
Reserves		**1,033,511**	974,496
Total equity attributable to equity shareholders of the Company		**1,110,928**	1,051,913
Non-controlling interests		**1,917**	22,451
TOTAL EQUITY		**1,112,845**	1,074,364

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

1 REPORTING ENTITY AND BACKGROUND INFORMATION

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 2019 comprise the Company and its subsidiaries. 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 "**Listing Rules**").

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

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

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

IFRS 16, Leases

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

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

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

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

a. *New definition of a lease*

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

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

b. *Lessee accounting and transitional impact*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to right-of-use assets.

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

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

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

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

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

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

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

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

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

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

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

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

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

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

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

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

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

(i) Disaggregation of revenue

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

	2019	2018
	RMB'000	*RMB'000*
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	**3,963,982**	4,448,029
– Processing service fees	**208,967**	194,857
– Trading of raw materials	**53,448**	316,232
	4,226,397	4,959,118
Online games related:		
– Publishing and operating online games	**23,775**	35,548
– Others	**2,903**	1,391
	26,678	36,939
	4,253,075	4,996,057

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

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

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

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

(b) Segment reporting

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

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

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

(i) Segment results, assets and liabilities

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 are set out below.

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

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

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

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

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

(iii) Reconciliations of reportable segment assets and liabilities

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

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

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

(iv) Geographic information

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

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

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

5 OTHER INCOME

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

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

6 OTHER EXPENSES

	2019	2018
	RMB'000	*RMB'000*
Impairment losses on goodwill *(note 11)*	**28,289**	109,864
Credit loss allowance on trade and other receivables *(note 13)*	**7,775**	10,051
Loss on disposal of property, plant and equipment	**206**	1
Others	**64**	271
	36,334	120,187

7 PROFIT BEFORE TAXATION

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

(a) Net finance (costs)/income

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Interest income on bank deposits	**6,957**	4,304
Change in fair values of contingent consideration receivables and contingent consideration payables *(note 15(iii))*	**–**	49,311
Gains from foreign exchange forward contracts	**–**	8,081
Gains from structured bank deposits	**555**	–
Finance income	**7,512**	61,696
Interest expenses on interest-bearing borrowings	**(35,920)**	(38,267)
Interest on lease liabilities	**(105)**	–
Less: interest expenses capitalised*	**2,815**	1,309
Net interest expense recognised in profit or loss	**(33,210)**	(36,958)
Change in fair values of contingent consideration receivables and contingent consideration payables *(note 15(iii))*	**(3,103)**	–
Net foreign exchange loss	**(1,191)**	(23,615)
Losses from foreign exchange forward contracts	**(706)**	–
Finance costs	**(38,210)**	(60,573)
Net finance (costs)/income	**(30,698)**	1,123

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

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

(b) Personnel costs

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

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

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

(c) Other items

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

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

(ii) The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. In addition, the carrying amount of lease prepayments was reclassified as right-of-use assets at the date of initial application of IFRS 16. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 3.

8 INCOME TAX

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

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

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

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

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

9 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB59,262,000 (2018: RMB27,529,000) and the weighted average number of 852,445,617 ordinary shares (2018: 852,912,033) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019	2018
Ordinary shares in issue at 1 January	**852,850,173**	828,655,617
Effect of shares purchased/vested under Share Award Scheme *(note 18)*	**(404,556)**	(189,140)
Effect of new shares issued	**–**	17,346,299
Effect of ordinary shares issuable in connection with the contingent consideration payable relating to an acquisition	**–**	7,099,257
Weighted average number of ordinary shares in issue at 31 December	**852,445,617**	852,912,033

(b) Diluted earnings per share

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

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

Weighted average number of ordinary shares (diluted)

	2019	2018
Weighted average number of ordinary shares at 31 December (basic)	**852,445,617**	852,912,033
Effect of Share Award Scheme *(note 18)*	**–**	3,823,583
Weighted average number of ordinary shares at 31 December (diluted)	**852,445,617**	856,735,616

10 RIGHT-OF-USE ASSETS

As discussed in note 3, the Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. In addition, the carrying amount of lease prepayments was reclassified as right-of-use assets at the date of initial application of IFRS 16. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

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

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

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

Certain right-of-use assets with an aggregate carrying amount of RMB7,119,000 (2018: lease prepayments of RMB11,991,000) were pledged as security for bank loans at 31 December 2019 (see note 14(iii)).

11 GOODWILL

	RMB'000
Cost:	
At 1 January 2018, 31 December 2018 and 31 December 2019	138,153
Accumulated impairment loss:	
At 1 January 2018	–
Impairment loss	(109,864)
At 31 December 2018 and 1 January 2019	(109,864)
Impairment loss	(28,289)
31 December 2019	(138,153)
Net book value:	
At 31 December 2019	–
At 31 December 2018	28,289

Impairment tests for cash-generating units containing goodwill

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

	2019	2018
	RMB'000	*RMB'000*
Online games	**–**	28,289

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

	2019	2018
Pre-tax discount rate	**37.5%**	34.0%
Long-term revenue growth rate	**0%**	2.5%
Revenue growth rates over next five years	**(29.0%)-0%**	(13.5%)-2.5%

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average revenue growth rate of 0% (2018: 2.5%). The cash flows are discounted using a pre-tax discount rate of 37.5% (2018: 34.0%). The discount rate used reflects specific risks relating to the relevant business. The revenue growth rates are based on past performance and expectations of market developments.

Due to the impact of relevant regulatory policies, the operating online games by the CGU decreased, resulting in a lower revenue growth rate of online gaming business than previously forecasted. As the business environment of the online gaming industry remains uncertain in the future, the estimated recoverable amount of the cash-generating unit is lower than its carrying amount, consequently an impairment loss of RMB28,289,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2019 (2018: RMB109,864,000).

12 INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Raw materials	**72,656**	117,894
Work in progress	**480,754**	412,895
Finished goods	**143,341**	139,016
Others	**533**	522
	697,284	670,327

Provisions of RMB27,627,000 (2018: RMB8,157,000) were made against those inventories with net realisable value lower than carrying value as at 31 December 2019. Except for the above, none of the inventories as at 31 December 2019 were carried at net realisable value (2018: Nil).

Certain inventories with aggregate carrying amount of RMB303,000,000 were pledged as security for bank loans at 31 December 2019 (2018: RMB310,000,000) (see note 14(iii)).

13 TRADE AND OTHER RECEIVABLES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Trade and bills receivable, net of credit loss allowance	**326,451**	296,387
Deposits for metal future contracts	**2,839**	11,080
Other debtors, net of credit loss allowance	**8,414**	5,748
Financial assets measured at amortised cost	**337,704**	313,215
VAT recoverable	**11,962**	24,386
Prepayments	**10,445**	25,018
Contingent consideration receivables *(note 15 (iii))*	**26,764**	29,548
	386,875	392,167

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

As at 31 December 2019, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis, in the amount of RMB45,178,000 (2018: RMB10,549,000). In the opinion of the Directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled, and has recognised the cash received on the transfer as cash advances under discounted bills.

Ageing analysis

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**306,160**	278,726
Over 3 months but less than 6 months	**18,589**	16,641
Over 6 months but less than 1 year	**1,393**	959
Over 1 year	**309**	61
	326,451	296,387

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

As at 31 December 2019, the Group's bills receivables with aggregate carrying value of approximately RMB107,070,000 (2018: RMB96,304,000) were pledged to banks for issuance of bank acceptance bills.

14 INTEREST-BEARING BORROWINGS

At 31 December 2019, interest-bearing borrowings were repayable based on scheduled repayment dates set out in the underlying loan agreements as follows:

	2019	2018
	RMB'000	*RMB'000*
Current		
Short-term secured bank loans	**447,751**	437,360
Unsecured bank loans	**36,739**	48,986
Bank advances under discounted bills	**238,951**	111,177
Current portion of non-current secured bank loans	**45,500**	131,000
	768,941	728,523
Non-current		
Secured bank loans	**77,000**	45,500
	845,941	774,023

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

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**768,941**	728,523
Over 1 year but less than 2 years	**77,000**	45,500
	845,941	774,023

(ii) The Group's interest-bearing borrowings in the amount of RMB322,500,000 (2018: RMB311,000,000) are subject to the fulfilment of financial covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. As at and during the year ended 31 December 2019, none of these covenants related to drawn down facilities were breached.

(iii) The secured bank loans as at 31 December 2019 bore interest at rates ranging from 2.27% to 4.99% (2018: 2.81% to 4.99%) per annum and were pledged by the following assets:

	31 December 2019	1 January 2019	31 December 2018 *(Note)*
	RMB'000	*RMB'000*	*RMB'000*
Carrying amounts of assets:			
Inventories	**303,000**	310,000	310,000
Property, plant and equipment	**358,135**	537,920	537,920
Right-of-use assets	**7,119**	11,991	–
Lease prepayments	**–**	–	11,991
Guarantee deposits for bank borrowings	**65,351**	61,778	61,778
	733,605	921,689	921,689

(iv) Unsecured bank loans as at 31 December 2019 bore interest at rates ranging from 2.79% to 2.86% (2018: 3.59% to 3.65%) per annum.

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balance at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS17, see note 3. In addition, the carrying amount of lease prepayments was reclassified as right-of-use assets at 1 January 2019.

15 TRADE AND OTHER PAYABLES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Trade and bills payable *(ii)*	**394,397**	358,261
Staff benefits payable	**38,973**	28,668
Payables for purchase of property, plant and equipment	**33,273**	24,500
Accrued expenses and others	**24,388**	25,451
Financial liabilities measured at amortised cost	**491,031**	436,880
Contract liabilities *(i)*	**26,858**	26,593
Contingent consideration payables *(iii)*	**3,626**	3,828
	521,515	467,301

(i) The Group receives payments from customers based on the billing schedule established in contracts. Payments are usually received in advance under the contracts, which are mainly from sales of copper products.

Revenue of RMB26,593 thousand was recognised for the year ended 31 December 2019 that was included in the contract liability balance at the beginning of the reporting period.

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**382,475**	351,057
Over 3 months but within 6 months	**7,228**	3,461
Over 6 months but within 1 year	**616**	1,301
Over 1 year	**4,078**	2,442
	394,397	358,261

(iii) On 5 August 2016 (the "**Acquisition Date**"), the Group obtained 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**"), a company with 42% equity interest held by Mr. Ren Hao ("**Mr. Ren**") at the Acquisition Date. Mr. Ren is also one of the guarantors (the "**Guarantors**") in the sales and purchase agreement (the "**SPA**") entered in relation to the acquisition of Funnytime. Mr. Ren then became one of the directors of the Company in October 2016 and resigned as a director in September 2019. Mr. Ren's controlling interests in Mobilefun Limited changed from 42% to 72% on 18 July 2018.

Contingent consideration is settled in the form of cash and newly issued ordinary shares of the Company depending on the achievement of the Target Group's adjusted net profit (as defined in the SPA), for each performance year from 2016 to 2018. Pursuant to the SPA, as the total adjusted net profit of Funnytime for the period from 1 January 2016 to 31 December 2018 is less than RMB70,000,000 by RMB24,219,738, Mobilefun shall pay to the Company the adjustment amount (the "**Adjustment Amount**") of cash consideration of HKD40,135,567 (the "**Repayment Amount**") and the Company shall issue to Mobilefun 6,424,734 shares (the "**Unissued Shares**") on or before 15 April 2019 in accordance with the price adjustment mechanism stipulated in the SPA. As at 31 December 2019, the Repayment Amount and Unissued Shares had not been settled yet.

The fair values of the contingent consideration receivables and contingent consideration payables as at 31 December 2019 were RMB26,764,000 (2018: RMB29,548,000) and RMB3,626,000 (2018: RMB3,828,000) respectively, with an aggregate fair value change of approximately RMB3,103,000 recognised as finance costs (2018: RMB49,311,000 recognised as finance income) (note 7(a)) during the year ended 31 December 2019. The fair values are categorised as Level 3 measurement.

The fair value of contingent consideration receivables is estimated as being the present value of future cash flows, applying a risk-adjusted discount rate.

16 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019 *(Note)*		31 December 2018 *(Note)*	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,040	1,066	892	915	–	–
After 1 year but within 2 years	700	747	894	960	–	–
After 2 years but within 5 years	–	–	668	747	–	–
	700	747	1,562	1,707	–	–
	1,740	1,813	2,454	2,622	–	–
Less: total future interest expenses		(73)		(168)		–
Present value of lease liabilities		1,740		2,454		–

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in note 3.

17 DIVIDENDS

No final dividend was declared to equity shareholders of the Company for the year ended 31 December 2019 (2018: Nil).

18 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 (the "**Trust**") 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 2019, the Company had contributed HKD12,010,000 (equivalent to RMB10,136,000) (2018: HKD12,010,000 (equivalent to RMB10,136,000)) to the Trust and the amount was recorded as "Investments in subsidiaries" in the Company's statement of financial position.

As at 31 December 2019, the Trustee had purchased 9,477,000 shares (2018: 8,688,000 shares) of the Company at a total cost (including related transaction costs) of HKD7,967,000 (equivalent to RMB6,884,000) (2018: HKD7,550,000 (equivalent to RMB6,525,000)).

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

	2019			2018		
	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	**0.87**	**2,708,000**	**2,164**	0.86	7,737,000	5,817
Shares purchased during the year	**0.53**	**789,000**	**359**	1.00	551,000	401
Shares vested during the year	**–**	**–**	**–**	–	(5,580,000)	(4,054)
At 31 December	**0.81**	**3,497,000**	**2,523**	0.87	2,708,000	2,164

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

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

According to the Resolution of the Board of the Company on 13 December 2018, in order to maintain the employment service of the grantees with the Group for a longer term, the vesting of tranche 2 and tranche 3 awarded shares have been postponed for one year to 13 December 2019 and 13 December 2020 (the "**Postponed Vesting Dates**"), respectively.

According to the Resolution of the Board and the Remuneration Committee of the Company on 26 November 2019, in order to incentivise and encourage the grantees to maintain their employment with the Group, the Postponed Vesting Dates were further postponed for one year to 13 December 2020 and 13 December 2021, respectively. In addition, the vesting of the remaining 300,000 shares granted on 26 May 2017 as mentioned above will also be postponed and be dealt with together with the tranche 2 and tranche 3.

The modification was not beneficial to the grantees, therefore there was no impact of the fair value cost of the awarded shares. A service cost of RMB829,000 (2018: RMB2,264,000) was recognised in the consolidated statement of profit or loss.

(ii) Movements in the number of awarded shares for the years ended 31 December 2019 and 2018 are as follows:

	Number of awarded shares
At 1 January 2018	10,660,000
Vested	(5,580,000)
Forfeiture	(180,000)
At 31 December 2018	4,900,000
Forfeiture	(216,000)
At 31 December 2019	4,684,000

During the year ended 31 December 2019, nil shares (2018: Nil) were granted to Directors of the Company.

19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 23 January 2020, the Company, Xingye Investment Holding Limited ("**Xingye**"), Mobilefun and the Guarantors (being Mr. Ren and Mr. Yang Jiong) entered into a settlement deed (the "**Settlement Deed**") with respect to the settlement of the contingent consideration receivables and contingent consideration payables, as disclosed in note 13 and note 15, pursuant to which: (i) the Company shall cancel the issuance of, and be relieved from the obligation to issue 6,424,734 shares at the cancellation price of HKD0.80 per share; (ii) the Company shall buy back and cancel the 41,000,000 shares from Mobilefun at the buy-back price of HKD0.80 per share; and (iii) Mobilefun shall settle the residual repayment of HKD2,195,779.80.

Pursuant to a special resolution passed at the Extraordinary General Meeting of the Company, the Settlement Deed was approved, ratified and confirmed on 9 March 2020.

(b) The global spread of the coronavirus since the beginning of 2020 is an uncertain and challenging situation faced by all industries. The Group has assessed the overall impact of the situation on the operations and employees and has taken reasonable measures to limit the impact on the Group. The Group will continue to pay close attention to the situation and take timely actions or make adjustments in the future as appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

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

COPPER PROCESSING BUSINESS

Market and Industry Review

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

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

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

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

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

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

Business Review

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

Business Development

In 2019, the Group focused "expansion, stability, cost reduction, improvement and development" to conduct various work on the following aspects:

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

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

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

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

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

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

Outlook

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

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

ONLINE GAMES BUSINESS

Industry Review

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

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

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

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

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

Business Review

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

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

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

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

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

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

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

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

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

Business Development

Operation Center

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

Research and Development Center

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

Outlook

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

FINANCIAL REVIEW

Revenue and gross profit

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

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

Other income

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

Other expenses

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

Distribution expenses

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

Administrative expenses

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

Net finance costs/(income)

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

Income tax

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

Profit attributable to the shareholders of the Company

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

Liquidity and financial resources

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

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

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

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

Charge on assets

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

Capital expenditure

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

Capital commitments

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

CONTINGENT LIABILITIES

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

MARKET RISK

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

EMPLOYEES

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

ENVIRONMENTAL AND REGULATORY POLICES

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 2019.

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 2019.

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 2019 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 2019 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 2019 (2018: 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 19 June 2020, the register of members of the Company will be closed from 16 June 2020 to 19 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 15 June 2020.

PUBLICATION OF 2019 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.hk). The Company's 2019 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, 31 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. Hu Changyuan, Mr. Hu Minglie and Mr. Zhu Wenjun, 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.