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Xingye Alloy Materials Group Limited

興業合金材料集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 505)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of Xingye Alloy Materials Group 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 2020 together with comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	4,534,947	4,253,075
Cost of sales		<u>(3,998,052)</u>	<u>(3,851,268)</u>
Gross profit		<u>536,895</u>	<u>401,807</u>
Other income	5	25,045	21,469
Distribution expenses		(42,604)	(46,336)
Administrative expenses		(242,173)	(234,451)
Other expenses	6	<u>(107,326)</u>	<u>(36,334)</u>

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Profit from operations		169,837	106,155
Finance income		34,647	7,512
Finance costs		<u>(29,957)</u>	<u>(38,210)</u>
Net finance income/(costs)	7(a)	<u>4,690</u>	<u>(30,698)</u>
Profit before taxation		174,527	75,457
Income tax	8	<u>(23,452)</u>	<u>(15,275)</u>
Profit for the year		<u>151,075</u>	<u>60,182</u>
Attributable to:			
Equity shareholders of the Company		150,832	59,262
Non-controlling interests		<u>243</u>	<u>920</u>
Profit for the year		<u>151,075</u>	<u>60,182</u>
Earnings per share			
Basic (<i>RMB</i>)	9(a)	<u>0.18</u>	<u>0.07</u>
Diluted (<i>RMB</i>)	9(b)	<u>0.18</u>	<u>0.07</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in RMB)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	<u>151,075</u>	<u>60,182</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas operations	<u>(1,069)</u>	<u>949</u>
Other comprehensive income for the year	<u>(1,069)</u>	<u>949</u>
Total comprehensive income for the year	<u><u>150,006</u></u>	<u><u>61,131</u></u>
Attributable to:		
Equity shareholders of the Company	<u>149,763</u>	<u>60,211</u>
Non-controlling interests	<u>243</u>	<u>920</u>
Total comprehensive income for the year	<u><u>150,006</u></u>	<u><u>61,131</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in RMB)

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		817,625	885,206
Right-of-use assets	10	71,110	74,440
Intangible assets		–	1,382
Deposits for acquisition of property, plant and equipment		2,075	1,224
Other non-current assets		7,490	7,490
Deferred tax assets		26,290	33,625
		<u>924,590</u>	<u>1,003,367</u>
Current assets			
Inventories	12	943,668	697,284
Trade and other receivables	13	441,184	386,875
Derivative financial instruments		–	565
Structured bank deposits		5,000	20,118
Restricted bank deposits		279,320	221,490
Bank deposits with original maturity over three months		138,150	60,000
Cash and cash equivalents		223,300	163,150
		<u>2,030,622</u>	<u>1,549,482</u>
Current liabilities			
Derivative financial instruments		21,672	7,775
Interest-bearing borrowings	14	828,385	768,941
Trade and other payables	15	725,619	521,515
Lease liabilities	16	1,146	1,040
Income tax payable		15,298	19,369
		<u>1,592,120</u>	<u>1,318,640</u>
Net current assets		<u>438,502</u>	<u>230,842</u>
Total assets less current liabilities		<u>1,363,092</u>	<u>1,234,209</u>
Non-current liabilities			
Interest-bearing borrowings	14	88,790	77,000
Lease liabilities	16	3,024	700
Deferred income		38,721	41,818
Deferred tax liabilities		1,500	1,846
		<u>132,035</u>	<u>121,364</u>
NET ASSETS		<u>1,231,057</u>	<u>1,112,845</u>
CAPITAL AND RESERVES			
Share capital		73,676	77,417
Reserves		1,155,221	1,033,511
Total equity attributable to equity shareholders of the Company		<u>1,228,897</u>	<u>1,110,928</u>
Non-controlling interests		<u>2,160</u>	<u>1,917</u>
TOTAL EQUITY		<u>1,231,057</u>	<u>1,112,845</u>

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 "**Listing Date**").

The consolidated financial statements for the year ended 31 December 2020 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 gaming business in August 2016, the Group's activities also include developing, publishing and operating online games and provision of related services.

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

2 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 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform
- Amendment to IFRS 3, Definition of a Business
- Amendment to IAS 1 and IAS 8, Definition of Material
- Amendment to IFRS 16, Covid-19-Related Rent Concessions

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

(i) Disaggregation of revenue

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

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

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

The Group's customer base is diversified and no single customer contributed over 10% of the total revenue of the Group during the years ended 31 December 2020 and 2019.

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

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

(b) Segment reporting

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

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

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

(i) *Segment results, assets and liabilities*

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 are set out below.

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue		
Reportable segment revenue	4,535,169	4,253,691
Elimination of inter-segment revenue	<u>(222)</u>	<u>(616)</u>
Consolidated revenue (<i>note 4(a)</i>)	<u><u>4,534,947</u></u>	<u><u>4,253,075</u></u>
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation		
Reportable segment profit	164,689	78,560
Change in fair values of contingent consideration receivables and contingent consideration payables	<u>9,838</u>	<u>(3,103)</u>
Consolidated profit before taxation	<u><u>174,527</u></u>	<u><u>75,457</u></u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Assets		
Reportable segment assets	2,956,696	2,527,655
Elimination of inter-segment receivables	(1,484)	(1,570)
Unallocated corporate assets	<u>–</u>	<u>26,764</u>
Consolidated total assets	<u><u>2,955,212</u></u>	<u><u>2,552,849</u></u>
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Liabilities		
Reportable segment liabilities	1,725,639	1,437,948
Elimination of inter-segment payables	(1,484)	(1,570)
Unallocated corporate liabilities	<u>–</u>	<u>3,626</u>
Consolidated total liabilities	<u><u>1,724,155</u></u>	<u><u>1,440,004</u></u>

(iv) *Geographic information*

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

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

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

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

Government grants represent unconditional government grants of RMB10,185,000 (2019: RMB8,530,000) awarded to the Group as a recognition of the Group's contribution to the development of the local economy, and the amortisation of deferred government grants of RMB5,993,000 during the year ended 31 December 2020 (2019: RMB5,875,000).

6 OTHER EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Impairment losses on goodwill (<i>note 11</i>)	–	28,289
Impairment losses on property, plant and equipment	1,248	–
Impairment losses on intangible assets	883	–
Credit loss allowance on trade and other receivables (<i>note 13</i>)	2,845	7,775
Losses on disposal of property, plant and equipment	241	206
Net losses on derivative financial instruments	101,786	–
Others	323	64
	<u>107,326</u>	<u>36,334</u>

7 PROFIT BEFORE TAXATION

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

(a) Net finance income/(costs)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income on bank deposits	14,397	6,957
Changes in fair values of contingent consideration receivables and contingent consideration payables (<i>note 15(iii)</i>)	9,838	–
Net foreign exchange gains	9,722	–
Gains from structured bank deposits	<u>690</u>	<u>555</u>
Finance income	----- 34,647	----- 7,512
Interest expenses on interest-bearing borrowings	(29,227)	(35,920)
Interest on lease liabilities	(78)	(105)
Less: interest expenses capitalised	<u>–</u>	<u>2,815</u>
Net interest expenses recognised in profit or loss	(29,305)	(33,210)
Changes in fair values of contingent consideration receivables and contingent consideration payables (<i>note 15(iii)</i>)	–	(3,103)
Net foreign exchange losses	–	(1,191)
Losses from foreign exchange forward contracts	<u>(652)</u>	<u>(706)</u>
Finance costs	----- (29,957)	----- (38,210)
Net finance income/(costs)	<u><u>4,690</u></u>	<u><u>(30,698)</u></u>

(b) Personnel costs

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

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**

	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
Cost of inventories*	3,992,690	3,844,996
Depreciation		
– Property, plant and equipment	100,313	105,000
– Right-of-use assets (<i>note 10</i>)	2,370	2,202
Amortisation		
– Intangible assets	499	612
Impairment losses on		
– Goodwill	–	28,289
– Trade and other receivables	2,845	7,775
– Property, plant and equipment	1,248	–
– Intangible assets	883	–
Research and development expenditure (included in administrative expenses)	133,210	134,087
Auditor’s remuneration-audit services	2,330	2,300

* Cost of inventories includes RMB126,563,000 (2019: RMB129,106,000) relating to staff costs and depreciation expenses whose amounts are also included in the respective total amounts disclosed separately above or in notes 7(b) and 7(c) for each type of expense.

8 INCOME TAX

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

- (i) Pursuant to the tax rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.
- (ii) The applicable profits tax rate of the Group's subsidiaries incorporated in Hong Kong was 16.5% (2019: 16.5%). A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%), while the remaining profits will continue to be taxed at 16.5%.
- (iii) The Group's PRC subsidiaries are subject to PRC income tax at 25%. For certain subsidiaries recognised as a small profit enterprise in 2020, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount and be subject to enterprise income tax at 20%. The portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20%.
- (iv) The PRC Corporate Income Tax Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividend distributions out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. As at 31 December 2020, a preferential withholding tax rate of 5% is applied, since Xingye Copper International (HK) Limited, the parent company of the Group's PRC subsidiaries, became entitled to the preferential withholding tax rate of 5%, having been certified as a tax resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". As a result, deferred tax liabilities of RMB1,500,000 (2019: RMB1,500,000) were recognised in connection with withholding tax that would be payable on the distribution of retained profits of the Group's PRC subsidiaries as at 31 December 2020.

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

Weighted average number of ordinary shares

	2020	2019
Ordinary shares in issue at 1 January	852,061,173	852,850,173
Effect of shares vested/purchased under Share Award Scheme (note 18)	108,592	(404,556)
Effect of contingent consideration shares buy-back and cancelled	<u>(28,980,822)</u>	<u>–</u>
Weighted average number of ordinary shares in issue at 31 December	<u>823,188,943</u>	<u>852,445,617</u>

(b) Diluted earnings per share

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

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

Weighted average number of ordinary shares (diluted)

	2020	2019
Weighted average number of ordinary shares at 31 December (basic)	823,188,943	852,445,617
Effect of Share Award Scheme (note 18)	<u>1,811,536</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December (diluted)	<u>825,000,479</u>	<u>852,445,617</u>

10 RIGHT-OF-USE ASSETS

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

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

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

Certain right-of-use assets with an aggregate carrying amount of RMB66,786,000 (2019: RMB7,119,000) were pledged as security for bank loans at 31 December 2020 (see note 14(iii)).

11 GOODWILL

	<i>RMB'000</i>
Cost:	
At 1 January 2019, 31 December 2019 and 31 December 2020	<u>138,153</u>
Accumulated impairment loss:	
At 1 January 2019	(109,864)
Impairment loss	<u>(28,289)</u>
At 31 December 2019, 1 January 2020 and 31 December 2020	<u>(138,153)</u>
Net book value:	
At 31 December 2019 and 31 December 2020	<u>—</u>

Impairment tests for cash-generating units containing goodwill

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

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

During the year ended 31 December 2019, the calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average revenue growth rate of 0%. The cash flows are discounted using a pre-tax discount rate of 37.5%. The discount rate used reflects specific risks relating to the relevant business. The revenue growth rates are based on past performance and expectations of market developments.

Due to the impact of 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, hence 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.

12 INVENTORIES

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

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

Certain inventories with aggregate carrying amount of RMB330,000,000 were pledged as security for bank loans at 31 December 2020 (2019: RMB303,000,000) (see note 14(iii)).

13 TRADE AND OTHER RECEIVABLES

	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Trade and bills receivable, net of credit loss allowance	378,355	326,451
Deposits for metal future contracts	28,993	2,839
Other debtors, net of credit loss allowance	660	8,414
Financial assets measured at amortised cost	408,008	337,704
VAT recoverable	5,170	11,962
Prepayments	28,006	10,445
Contingent consideration receivables (<i>note 15 (iii)</i>)	-	26,764
	<u>441,184</u>	<u>386,875</u>

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

As at 31 December 2020, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis, in the amount of RMB68,412,000 (2019: RMB45,178,000). In the opinion of the Directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled, and has recognised the cash received on the transfer as cash advances under discounted bills.

Ageing analysis

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

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

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

14 INTEREST-BEARING BORROWINGS

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

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	<u>828,385</u>	768,941
Over 1 year but less than 2 years	88,000	77,000
Over 5 years	<u>790</u>	—
	<u>88,790</u>	<u>77,000</u>
	<u>917,175</u>	<u>845,941</u>

(ii) The Group's interest-bearing borrowings in the amount of RMB464,500,000 (2019: RMB322,500,000) are subject to the fulfilment of financial covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. As at and during the year ended 31 December 2020, none of these covenants related to drawn down facilities were breached.

- (iii) The secured bank loans as at 31 December 2020 bore interest at rates ranging from 0.47% to 4.75% (2019: 2.27% to 4.99%) per annum and were pledged by the following assets:

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

- (iv) Unsecured bank loans as at 31 December 2020 bore interest at rates ranging from 4.13% to 4.35% (2019: 2.70% to 2.86%) per annum.

15 TRADE AND OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade and bills payable (ii)	604,109	394,397
Staff benefits payable	43,573	38,973
Payables for purchase of property, plant and equipment	27,214	33,273
Accrued expenses and others	<u>24,616</u>	<u>24,388</u>
Financial liabilities measured at amortised cost	699,512	491,031
Contract liabilities (i)	26,107	26,858
Contingent consideration payables (iii)	<u>–</u>	<u>3,626</u>
	<u>725,619</u>	<u>521,515</u>

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

Revenue of RMB26,858,000 was recognised for the year ended 31 December 2020 that was included in the contract liability balance at the beginning of the reporting period.

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

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

- (iii) In connection with the acquisition of Funnytime Limited (“**Funnytime**”) and its subsidiaries (collectively, the “**Target Group**”) on 5 August 2016 (“**Acquisition Date**”), contingent consideration is settled in the form of cash and newly issued ordinary shares of the Company depending on achievement of the Target Group’s adjusted net profit for each performance year from 2016 to 2018. Pursuant to the sale and purchase agreement (the “**SPA**”), given that the adjusted net profit of Funnytime for the period from 1 January 2016 to 31 December 2018 is less than RMB70,000,000 (as defined in the SPA), Mobilefun Limited (“**Mobilefun**”) shall pay to the Company the adjustment amount (the “**Adjustment Amount**”) of cash consideration of HKD40,135,567 (“**contingent receivables**”) and the Company shall issue to Mobilefun 6,424,734 shares (“**contingent payables**”) in accordance with the price adjustment mechanism stipulated in the SPA.

On 23 January 2020, the Company, Xingye Investment Holdings Limited (a wholly-owned subsidiary of the Company) (“**Xingye**”), Mobilefun (the “**Guarantors**”) entered into a settlement deed (the “**Settlement Deed**”) with respect to the settlement of the contingent consideration receivables and contingent consideration payables, pursuant to which: (i) the Company shall cancel the issuance of, and be relieved from the obligation to issue 6,424,734 shares at the cancellation price of HKD0.80 per share; (ii) the Company shall buy back and cancel 41,000,000 shares held by Mobilefun at the buy-back price of HKD0.80 per share (the “**Share Buy-back**”); and (iii) Mobilefun shall settle the residual repayment of HKD2,195,779.80. Pursuant to a special resolution passed at the extraordinary general meeting of the Company, the Settlement Deed was approved on 9 March 2020.

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

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

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

16 LEASE LIABILITIES

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	<u>1,146</u>	<u>1,040</u>
After 1 year but within 2 years	1,102	700
After 2 years but within 5 years	<u>1,922</u>	—
	<u>3,024</u>	<u>700</u>
	<u>4,170</u>	<u>1,740</u>

17 DIVIDENDS

No final dividend was declared to equity shareholders of the Company for the year ended 31 December 2020 (2019: 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 2020, the Company had contributed HKD12,010,000 (equivalent to RMB10,136,000) (2019: HKD12,010,000 (equivalent to RMB10,136,000)) to the Trust and the amount was recorded as “Investments in subsidiaries” in the Company’s statement of financial position.

As at 31 December 2020, the Trustee had purchased 9,477,000 shares (2019: 9,477,000 shares) of the Company at a total cost (including related transaction costs) of HKD7,967,000 (equivalent to RMB6,884,000) (2019: HKD7,967,000 (equivalent to RMB6,884,000)).

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

	2020			2019		
	Average purchase price <i>HKD</i>	No. of shares held	Value <i>RMB’000</i>	Average purchase price <i>HKD</i>	No. of shares held	Value <i>RMB’000</i>
At 1 January	0.81	3,497,000	2,523	0.87	2,708,000	2,164
Shares purchased during the year	-	-	-	0.53	789,000	359
Shares vested during the year	-	(2,202,000)	(1,589)	-	-	-
At 31 December	<u>0.81</u>	<u>1,295,000</u>	<u>934</u>	<u>0.81</u>	<u>3,497,000</u>	<u>2,523</u>

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

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

According to the Resolution of the Board and the Remuneration Committee of the Company on 26 November 2019, in order to incentivise and encourage the grantees to maintain their employment with the Group, the Postponed Vesting Dates were further postponed for one year to 13 December 2020 and 13 December 2021, respectively. In addition, the vesting of the remaining 300,000 shares granted on 26 May 2017 as mentioned above has been postponed and will be dealt with together with 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 nil (2019: RMB829,000) was recognised in the consolidated statement of profit or loss.

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

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

During the year ended 31 December 2020, nil shares (2019: Nil) were granted to Directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

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

COPPER PROCESSING BUSINESS

Market and Industry Review

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

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

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

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

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

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

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

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

Business Review

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

Business Development

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

1. In respect of new products, the Company completed a major expansion in the product application field such as the application of products in the integrated circuit industry, further application expansion in the automotive industry, and an increase in sales of hot-dip tinned products. Moreover, our products in rail transit and consumer electronics fields have also been improved in terms of sales volume and the number of new customers entered. During the year, the Group produced and sold a total of over 4,000 tons of various new products. At the same time, the Group has made effective breakthroughs in the research and development of new products by focusing on technological exploration and improvement of product quality including copper-chromium-zirconium series, copper-nickel-silicon series, tinned copper strips, and copper-titanium alloy.
2. The Group continuously improved its business model of raw materials procurement by reducing the radius of the supply chain, in order to reduce transportation costs, and making full use of the cost differences between new and old materials to effectively reduce the input costs of production.
3. In respect of quality improvements, through the implementation of the “Ten Quality Improvement Measures”, especially in the second half of the year, the Group made notable progress in quality improvements.
4. In respect of cost reduction and efficiency enhancement, the Group has carried out more than 100 projects of various types this year, covering production, marketing, equipment, technology, research and development, procurement, planning and scheduling, information, human resources, finance and other departments, all of which made great contributions to increase the Group’s competitiveness.
5. In respect of management improvement, during this year, the Group has carried out management reform with “people” as the core value in various aspects including system processes, discipline, personnel structure, talent training, etc. The Group has promoted many outstanding young employees to enrich the middle level management in order to build a solid a foundation for the sustainable development of the Group. Meanwhile, in respect of production, the Group has systematically carried out detailed and visual management, staff team construction at key positions, establishment of part-time technician system, launch of equipment software, improvement of machine related position assessment system, etc.

Outlook

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

GAMING BUSINESS

Industry Review

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

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

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

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

Business Review

In August 2016, the Group completed the acquisition of Funnytime Limited ("**Funnytime**"), which mainly engages in the development, distribution and operation of online games through its wholly owned subsidiary Soul Dargon Limited and two domestic companies, namely Hefei Zhangyue Network Technology Co., Ltd. ("**Zhangyue**") and Ningbo Longhui Network Techonlogy Co., Ltd. ("**Longhui**") both controlled through contractual agreements. Funnytime achieved total revenue of RMB15.2 million and net loss of RMB6.9 million for the year ended 31 December 2020, representing a decrease of 43.1% and an increase in loss of 312.5% respectively over 2019. The decrease in revenue is mainly because the revenue of existing gaming products was shrinking and new products were still being developed.

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

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

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

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

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

The special resolution approving the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back) was duly passed by the independent shareholders of the Company at the extraordinary general meeting held on 9 March 2020. The Company further announced that all conditions under the Settlement Deed had been fulfilled and completion of Share Buy-back took place on 16 April 2020. The sale shares (i.e. 41,000,000 shares of the Company) had been cancelled by the Company on 17 April 2020. The residual repayment amount of HKD2,195,779.80 was settled in September 2020.

Business Development

Research and Development Center

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

Operation Center

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

Outlook

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

FINANCIAL REVIEW

Revenue and gross profit

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

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

Other income

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

Other expenses

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

Distribution expenses

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

Administrative expenses

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

Net finance income/(costs)

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

Income tax

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

Profit attributable to the shareholders of the Company

As a result of the aforementioned factors, the profit attributable to the shareholders of the Company increased by RMB91.5 million to RMB150.8 million in 2020 from RMB59.3 million in 2019.

Liquidity and financial resources

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

The short-term interest-bearing borrowings represented 90.3% of total interest-bearing borrowings as of 31 December 2020. As at the date of this announcement, the Group had not experienced any difficulty in raising funds by securing and rolling over short-term loans borrowed from various banks in the PRC, which were renewed on an annual basis in accordance with local market practice.

The Group is able to generate cash from operating activities, has good credit standing and relationships with principal lending banks, and possesses available undrawn banking facilities together with bank deposits of RMB1,513.1 million (including long term loan facilities amounting to RMB379.2 million effective until 2026) and RMB645.8 million (comprised of structured bank deposits of RMB5.0 million, restricted bank deposits of RMB279.3 million, bank deposits with maturity over three months of RMB138.2 million and cash and cash equivalents of RMB223.3 million) respectively. Based on previous experience and the Group's relationships with its principal lending banks, the Board believes that the Group can rollover existing short-term bank borrowings upon their maturity in the coming year. The Board is confident that the Group has adequate financial resources to sustain its working capital requirements and to meet its foreseeable debt repayment requirements.

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

The net gearing ratio as at 31 December 2020 was 36.2% (31 December 2019: 38.1%), which is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings and lease liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity attributable to equity shareholders of the Company, as shown in the consolidated statement of financial position, plus net debt.

Charge on assets

As at 31 December 2020, the Group pledged assets with an aggregate carrying value of RMB618.7 million (31 December 2019: RMB733.6 million) to secure bank loan facilities.

Capital expenditure

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

Capital commitments

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

CONTINGENT LIABILITIES

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

MARKET RISK

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

EMPLOYEES

As at 31 December 2020, the Group had 1,336 employees, of which the copper business and online gaming business had 1,277 and 59 employees respectively. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages to our employees. Benefits of our employees include salaries, pension, medical insurance scheme and other applicable social insurance. In addition, share options or share awards may be granted or awarded to eligible employees of the Group (including directors) in accordance with the terms of the approved share option scheme or share award scheme respectively. Promotion and salary increments are assessed based on performance. The Group's success is dependent upon the skills and dedication of its employees. The Group recognises the importance of human resources in a competitive industry and has devoted resources to train employees. The Group has established an annual training program for our employees so that new employees can master the skills required to perform their roles and responsibilities and existing employees can upgrade or improve their skills.

ENVIRONMENTAL AND REGULATORY POLICES

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 2020.

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 2020.

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 issued share capital of the Company as required under the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors namely, Mr. Chai Chaoming, Dr. Lou Dong and Ms. Lu Hong. The audit committee has reviewed the audited financial statements for the year ended 31 December 2020 and has also discussed and reviewed audit matters, risk management, internal control, continuing connected transactions and financial reporting matters including accounting practices and principles adopted by the Group.

AUDITORS

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 2020 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 2020 (2019: 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 18 June 2021, the register of members of the Company will be closed from 15 June 2021 to 18 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 11 June 2021.

PUBLICATION OF 2020 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website (www.xingyealloy.com) and the Stock Exchange's designated website (www.hkexnews.hk). The Company's 2020 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
Xingye Alloy Materials Group Limited
HU Minglie
Chief Executive Officer and
Executive Director

Hong Kong, 31 March 2021

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