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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Xingye Alloy Materials Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

| | <i>Note</i> | Six months ended 30 June | |
|-------------------------------|-------------|---------------------------------|--------------------|
| | | 2021 | 2020 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (unaudited) | (unaudited) |
| Revenue | 4 | 3,167,835 | 1,950,969 |
| Cost of sales | | (2,728,972) | (1,748,521) |
| Gross profit | | 438,863 | 202,448 |
| Other income | | 7,904 | 10,826 |
| Distribution expenses | | (29,225) | (19,104) |
| Administrative expenses | | (138,828) | (102,473) |
| Other expenses | 5 | (59,577) | (37,952) |
| Profit from operations | | 219,137 | 53,745 |
| Finance income | | 9,941 | 15,024 |
| Finance costs | | (21,829) | (18,238) |
| Net finance costs | 6(a) | (11,888) | (3,214) |

| | | Six months ended 30 June | |
|------------------------------------|-------------|---------------------------------|-----------------------|
| | <i>Note</i> | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited) |
| Profit before taxation | | 207,249 | 50,531 |
| Income tax | 7 | <u>(44,875)</u> | <u>(7,650)</u> |
| Profit for the period | | <u>162,374</u> | <u>42,881</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 162,138 | 42,797 |
| Non-controlling interests | | <u>236</u> | <u>84</u> |
| Profit for the period | | <u>162,374</u> | <u>42,881</u> |
| Earnings per share | | | |
| – Basic (<i>RMB cents</i>) | 8(a) | 19.94 | 5.10 |
| – Diluted (<i>RMB cents</i>) | 8(b) | <u>19.88</u> | <u>5.10</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

| | Six months ended 30 June | |
|--|--------------------------|----------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Profit for the period | 162,374 | 42,881 |
| Other comprehensive income for the period (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 foreign operations | <u>(256)</u> | <u>1,048</u> |
| Total comprehensive income for the period | <u>162,118</u> | <u>43,929</u> |
| Attributable to: | | |
| Equity shareholders of the Company | 161,882 | 43,845 |
| Non-controlling interests | <u>236</u> | <u>84</u> |
| Total comprehensive income for the period | <u>162,118</u> | <u>43,929</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | <i>Note</i> | At 30 June 2021 RMB'000 (unaudited) | At 31 December 2020 RMB'000 (audited) |
|---|-------------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | 837,343 | 817,625 |
| Right-of-use assets | | 69,809 | 71,110 |
| Deposits for acquisition of property, plant and equipment | | 6,457 | 2,075 |
| Deferred tax assets | | 16,834 | 26,290 |
| Other non-current assets | | 7,490 | 7,490 |
| | | <u>937,933</u> | <u>924,590</u> |
| Current assets | | | |
| Inventories | 9 | 1,222,914 | 943,668 |
| Trade and other receivables | 10 | 492,048 | 441,184 |
| Derivative financial instruments | | 17,213 | – |
| Structured bank deposits | | – | 5,000 |
| Restricted bank deposits | | 422,412 | 279,320 |
| Bank deposits with original maturity over three months | | 144,109 | 138,150 |
| Cash and cash equivalents | | 348,357 | 223,300 |
| | | <u>2,647,053</u> | <u>2,030,622</u> |

| | <i>Note</i> | At 30 June 2021 <i>RMB'000</i> (unaudited) | At 31 December 2020 <i>RMB'000</i> (audited) |
|--|-------------|--|--|
| Current liabilities | | | |
| Trade and other payables | 11 | 935,638 | 725,619 |
| Interest-bearing borrowings | 12 | 1,089,751 | 828,385 |
| Derivative financial instruments | | 125 | 21,672 |
| Lease liabilities | | 1,169 | 1,146 |
| Income tax payable | | 23,974 | 15,298 |
| | | <u>2,050,657</u> | <u>1,592,120</u> |
| Net current assets | | <u>596,396</u> | <u>438,502</u> |
| Total assets less current liabilities | | <u>1,534,329</u> | <u>1,363,092</u> |
| Non-current liabilities | | | |
| Interest-bearing borrowings | 12 | 99,000 | 88,790 |
| Lease liabilities | | 2,628 | 3,024 |
| Deferred income | | 38,026 | 38,721 |
| Deferred tax liabilities | | 1,500 | 1,500 |
| | | <u>141,154</u> | <u>132,035</u> |
| Net assets | | <u>1,393,175</u> | <u>1,231,057</u> |
| Capital and reserves | | | |
| Share capital | | 73,676 | 73,676 |
| Reserves | | 1,317,103 | 1,155,221 |
| Total equity attributable to equity shareholders of the Company | | <u>1,390,779</u> | <u>1,228,897</u> |
| Non-controlling interests | | <u>2,396</u> | <u>2,160</u> |
| Total equity | | <u>1,393,175</u> | <u>1,231,057</u> |

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

1 REPORTING ENTITY AND BACKGROUND INFORMATION

Xingye Alloy Materials Group Limited (the “**Company**”, formerly known as “Huan Yue Interactive Holdings Limited”) was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2007 under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 December 2007 (the “**Listing Date**”).

The interim financial report as at and for the six months ended 30 June 2021 comprises the Company and its subsidiaries (together referred to as the “**Group**”). The principal activities of the Group are the manufacture and sale of high precision copper plates and strips, trading of raw materials, and provision of processing services. After the acquisition of an online gaming business in August 2016, the Group’s activities also include developing, publishing and operating online games and provision of related services.

2 BASIS OF PREPARATION

The preliminary announcement of the Company’s interim results has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company’s condensed consolidated interim financial information (“**Interim Financial Information**”) has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”) and has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of Interim Financial Information in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This Interim Financial Information contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the Company's interim financial report for the six months ended 30 June 2021.

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) Disaggregation of 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.

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

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Revenue from contracts with customers within the scope of IFRS15 | | |
| Disaggregated by major products or service lines | | |
| Copper products related: | | |
| – Sales of high precision copper plates and strips | 2,978,349 | 1,851,168 |
| – Processing service fees | 129,035 | 72,403 |
| – Trading of raw materials | 53,743 | 18,956 |
| | <u>3,161,127</u> | <u>1,942,527</u> |
| Online games related: | | |
| – Publishing and operating online games | 5,956 | 7,392 |
| – Others | 752 | 1,050 |
| | <u>6,708</u> | <u>8,442</u> |
| | <u>3,167,835</u> | <u>1,950,969</u> |
| Disaggregated by geographical location of customers: | | |
| – Mainland China | 2,860,960 | 1,771,832 |
| – Hong Kong, China | 56,154 | 26,863 |
| – Taiwan, China | 51,428 | 48,050 |
| – Bangladesh | 32,713 | 19,203 |
| – India | 25,933 | 17,830 |
| – Thailand | 24,667 | 16,101 |
| – Vietnam | 19,753 | 3,788 |
| – Other locations | 96,227 | 47,302 |
| | <u>3,167,835</u> | <u>1,950,969</u> |

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in notes 4(b).

The Group's customer base is diversified and no single customer contributed over 10% of the total revenue of the Group for both the six months ended 30 June 2021 and 2020.

(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.

(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 segment 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 six months ended 30 June 2021 and 2020 are set out below.

| Six months ended 30 June | Copper products | | Online games | | Total | |
|---|-------------------------|------------------|---------------------|----------------|-------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Disaggregated by timing of revenue recognition | | | | | | |
| Point in time | 3,161,127 | 1,942,527 | - | - | 3,161,127 | 1,942,527 |
| Overtime | <u>-</u> | <u>-</u> | <u>6,708</u> | <u>8,442</u> | <u>6,708</u> | <u>8,442</u> |
| Revenue from external customers | <u>3,161,127</u> | <u>1,942,527</u> | <u>6,708</u> | <u>8,442</u> | <u>3,167,835</u> | <u>1,950,969</u> |
| Inter-segment revenue | <u>-</u> | <u>227</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>227</u> |
| Reportable segment revenue | <u>3,161,127</u> | <u>1,942,754</u> | <u>6,708</u> | <u>8,442</u> | <u>3,167,835</u> | <u>1,951,196</u> |
| Reportable segment profit/(loss) before taxation | <u>207,596</u> | <u>44,242</u> | <u>(347)</u> | <u>(1,940)</u> | <u>207,249</u> | <u>42,302</u> |
| Interest income from bank deposits | 7,971 | 6,100 | 56 | 42 | 8,027 | 6,142 |
| Net interest expenses | (21,733) | (15,612) | (96) | (34) | (21,829) | (15,646) |
| Depreciation and amortisation | (53,313) | (50,657) | (482) | (699) | (53,795) | (51,356) |
| As at 30 June/31 December | | | | | | |
| Reportable segment assets | 3,522,242 | 2,898,925 | 65,073 | 57,771 | 3,587,315 | 2,956,696 |
| Reportable segment liabilities | 2,170,168 | 1,709,413 | 23,972 | 16,226 | 2,194,140 | 1,725,639 |

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

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Revenue | | |
| Reportable segment revenues | 3,167,835 | 1,951,196 |
| Elimination of inter-segment revenue | — | (227) |
| Consolidated revenue (<i>note 4(a)</i>) | <u>3,167,835</u> | <u>1,950,969</u> |
| Profit before taxation | | |
| Reportable segment profit | 207,249 | 42,302 |
| Other gains or losses: | | |
| – Change in fair values of contingent consideration receivables and contingent consideration payables | — | 8,229 |
| Consolidated profit before taxation | <u>207,249</u> | <u>50,531</u> |

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

| | At 30 June | At 31 December |
|--|--------------------|-----------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (audited) |
| Assets | | |
| Reportable segment assets | 3,587,315 | 2,956,696 |
| Elimination of inter-segment receivables | (2,329) | (1,484) |
| Consolidated total assets | <u>3,584,986</u> | <u>2,955,212</u> |
| Liabilities | | |
| Reportable segment liabilities | 2,194,140 | 1,725,639 |
| Elimination of inter-segment payables | (2,329) | (1,484) |
| Consolidated total liabilities | <u>2,191,811</u> | <u>1,724,155</u> |

5 OTHER EXPENSES

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Credit losses allowance on trade and other receivables | 1,620 | 2,379 |
| Impairment losses on property, plant and equipment | – | 1,248 |
| Losses on disposal of property, plant and equipment | – | 223 |
| Net losses on derivative financial instruments | 57,953 | 33,935 |
| Others | 4 | 167 |
| | <u>59,577</u> | <u>37,952</u> |

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Interest income from bank deposits | 8,027 | 6,142 |
| Change in fair values of contingent consideration receivables and contingent consideration payables | – | 8,229 |
| Gains from structured bank deposits | 157 | 653 |
| Net foreign exchange gains | 1,757 | – |
| Finance income | <u>9,941</u> | <u>15,024</u> |
| Interest expenses on interest-bearing borrowings | (22,263) | (15,611) |
| Interest on lease liabilities | (93) | (35) |
| Less: interest expenses capitalised* | 527 | – |
| Net interest expenses recognised in profit or loss | (21,829) | (15,646) |
| Net foreign exchange losses | <u>–</u> | <u>(2,592)</u> |
| Finance costs | <u>(21,829)</u> | <u>(18,238)</u> |
| Net finance costs | <u>(11,888)</u> | <u>(3,214)</u> |

* The borrowing costs were capitalised at rates of 4.30% per annum during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

(b) Other items

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Cost of inventories * | 2,727,108 | 1,746,069 |
| Research and development expenses (included in administrative expenses) | 86,451 | 59,395 |
| Depreciation | | |
| – Property, plant and equipment | 52,494 | 49,850 |
| – Right-of-use assets | 1,301 | 1,307 |
| Impairment losses on | | |
| – Trade and other receivables | 1,620 | 2,379 |
| – Property, plant and equipment | – | 1,248 |
| Amortisation | | |
| – Intangible assets | – | 199 |
| Government grants | 6,075 | 8,500 |

* Cost of inventories includes depreciation of RMB29,925,000 (six months ended 30 June 2020: RMB32,122,000), which is also included in the total amount of depreciation expenses disclosed separately below.

7 INCOME TAX

| | Six months ended 30 June | |
|---|--------------------------|--------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Current tax | | |
| Provision for the period | 33,962 | 8,212 |
| Under/(over)-provision in respect of prior year | 1,457 | (8,473) |
| | <u>35,419</u> | <u>(261)</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | 9,456 | 7,911 |
| | <u>44,875</u> | <u>7,650</u> |

The provision for PRC Corporate Income Tax is calculated by applying the estimated annual effective rates of taxation that are expected to be applicable to each entity operating in the PRC.

The Group's consolidated effective tax rate for the six months ended 30 June 2021 was 22% (six months ended 30 June 2020: 15%). The increase in the effective tax rate was mainly due to the increase in taxable profits of those subsidiaries that have the higher applicable income tax rate of 25%.

8 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 RMB162,138,000 (six months ended 30 June 2020: RMB42,797,000) and the weighted average number of 813,263,173 ordinary shares (six months ended 30 June 2020: 838,887,843 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB162,138,000 (six months ended 30 June 2020: RMB42,797,000) and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares of 815,397,352 ordinary shares (six months ended 30 June 2020: 839,154,838 ordinary shares).

9 INVENTORIES

| | At 30 June 2021 RMB'000 (unaudited) | At 31 December 2020 RMB'000 (audited) |
|------------------|--|--|
| Raw materials | 379,795 | 191,813 |
| Work in progress | 682,531 | 622,302 |
| Finished goods | 160,496 | 129,468 |
| Others | <u>92</u> | <u>85</u> |
| | <u>1,222,914</u> | <u>943,668</u> |

Provisions of RMB6,378,000 (31 December 2020: RMB7,386,000) were made against those inventories with net realisable value lower than carrying value as at 30 June 2021. Except for the above, none of the inventories as at 30 June 2021 were carried at net realisable value (2020: Nil).

10 TRADE AND OTHER RECEIVABLES

| | At 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 (audited) |
|--|--|---|
| Trade and bills receivable, net of loss allowance | 423,951 | 378,355 |
| Deposits for metal future contracts | 21,140 | 28,993 |
| Other debtors, net of loss allowance | <u>1,476</u> | <u>660</u> |
| Financial assets measured at amortised cost | 446,567 | 408,008 |
| VAT recoverable | 27,529 | 5,170 |
| Prepayments | <u>17,952</u> | <u>28,006</u> |
| | <u>492,048</u> | <u>441,184</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 30 June 2021, 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 RMB31,241,000 (31 December 2020: RMB68,412,000). 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 continues 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 allowance for doubtful debts is as follows:

| | At 30 June 2021 RMB'000 (unaudited) | At 31 December 2020 RMB'000 (audited) |
|--------------------------------------|--|--|
| Within 3 months | 379,729 | 353,671 |
| Over 3 months but less than 6 months | 22,874 | 17,520 |
| Over 6 months but less than 1 year | 20,790 | 2,965 |
| Over 1 year | <u>558</u> | <u>4,199</u> |
| | <u>423,951</u> | <u>378,355</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 30 June 2021, the Group's bills receivables with aggregate carrying value of RMB69,409,000 (31 December 2020: RMB108,000,000) were pledged to banks for issuance of bank acceptance bills and raising loans.

11 TRADE AND OTHER PAYABLES

| | At 30 June 2021 RMB'000 (unaudited) | At 31 December 2020 RMB'000 (audited) |
|---|--|--|
| Trade and bills payable | 790,560 | 604,109 |
| Staff benefits payable | 42,974 | 43,573 |
| Payables for purchase of property, plant and equipment | 31,125 | 27,214 |
| Accrued expenses and others | 17,170 | 24,616 |
| | <hr/> | <hr/> |
| Financial liabilities measured at amortised cost | 881,829 | 699,512 |
| Contract liabilities | 53,809 | 26,107 |
| | <hr/> | <hr/> |
| | 935,638 | 725,619 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | At 30 June 2021 RMB'000 (unaudited) | At 31 December 2020 RMB'000 (audited) |
|-----------------------------------|--|--|
| Within 3 months | 710,228 | 531,573 |
| Over 3 months but within 6 months | 58,893 | 15,145 |
| Over 6 months but within 1 year | 11,086 | 48,664 |
| Over 1 year | 10,353 | 8,727 |
| | <hr/> | <hr/> |
| | 790,560 | 604,109 |
| | <hr/> <hr/> | <hr/> <hr/> |

12 INTEREST-BEARING BORROWINGS

At 30 June 2021, interest-bearing borrowings were repayable based on scheduled repayment dates set out in the underlying loan agreements as follows:

| | At 30 June 2021 <i>RMB'000</i> (unaudited) | At 31 December 2020 <i>RMB'000</i> (audited) |
|---|---|---|
| Current | | |
| Short-term secured bank loans | 565,990 | 466,104 |
| Unsecured bank loans | 71,193 | 39,765 |
| Bank advances under discounted bills | 355,277 | 245,321 |
| Current portion of non-current secured bank loans | <u>97,291</u> | <u>77,195</u> |
| | 1,089,751 | 828,385 |
| Non-current | | |
| Secured bank loans | <u>99,000</u> | <u>88,790</u> |
| | <u>1,188,751</u> | <u>917,175</u> |

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

| | At 30 June 2021 <i>RMB'000</i> (unaudited) | At 31 December 2020 <i>RMB'000</i> (audited) |
|-----------------------------------|---|---|
| Within 1 year | <u>1,089,751</u> | 828,385 |
| Over 1 year but less than 2 years | 68,000 | 88,000 |
| Over 5 years | <u>31,000</u> | <u>790</u> |
| | <u>1,188,751</u> | <u>917,175</u> |

(ii) The Group's interest-bearing borrowings in the amount of RMB381,100,000 (31 December 2020: RMB464,500,000) 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 six months ended 30 June 2021, none of these covenants related to drawn down facilities were breached.

- (iii) The secured bank loans as at 30 June 2021 bore interest at rates ranging from 0.32% to 4.79% (31 December 2020: 0.47% to 4.75%) per annum and were pledged by the following assets:

| | At 30 June 2021 RMB'000 (unaudited) | At 31 December 2020 RMB'000 (audited) |
|-------------------------------|--|--|
| Carrying amounts of assets: | | |
| Inventories | 330,000 | 330,000 |
| Property, plant and equipment | 205,127 | 221,866 |
| Right-of-use assets | 66,060 | 66,786 |
| Bills receivable | 51,017 | – |
| | <u>652,204</u> | <u>618,652</u> |

- (iv) Unsecured bank loans as at 30 June 2021 bore interest at rates ranging from 4.13% to 4.35% (31 December 2020: 4.13% to 4.35%) per annum.

13 SHARE AWARD SCHEME

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 an award of the Company’s shares.

The Company has appointed a trustee for administration of the Share Award Scheme (the “**Trustee**”). The principal activity of the Trustee is administrating and holding the Company’s shares for the Share Award Scheme for the benefit of the Company’s eligible employees. Pursuant to the Share Award Scheme, the Company’s shares will be purchased by the Trustee in the market out of cash contributed by the Company and held in the Trust for relevant employees until such shares are vested in the relevant beneficiary in accordance with the provisions of the Share Award Scheme at no cost. The total number of Company’s shares held by the Trustee under the Share Award Scheme will not exceed 20% of the total issued shares of the Company as at the Adoption Date, i.e. 162,223,190 shares.

As at 30 June 2021, the Trustee had purchased 9,477,000 shares (31 December 2020: 9,477,000 shares) of the Company at a total cost (including related transaction costs) of HKD7,967,000 (equivalent to RMB6,884,000) (31 December 2020: HKD7,967,000 (equivalent to RMB6,884,000)).

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 Directors 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 Directors 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 of Directors 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 were also postponed and will be dealt with together with the above tranche 2 and tranche 3.

The modification was not beneficial to the grantees, therefore, there was no impact on the service cost of the awarded shares.

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

| | 2021 | | | 2020 | | |
|--------------------------------------|-----------------------------------|--------------------|----------------------|-----------------------------------|--------------------|----------------------|
| | 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 | 1,295,000 | 934 | 0.81 | 3,497,000 | 2,523 |
| Shares vested during the period/year | — | — | — | — | (2,202,000) | (1,589) |
| At 30 June/31 December | <u>0.81</u> | <u>1,295,000</u> | <u>934</u> | <u>0.81</u> | <u>1,295,000</u> | <u>934</u> |

14 DIVIDENDS

During the six months period ended 30 June 2021, no dividend was declared or distributed and the Directors have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

COPPER PROCESSING BUSINESS

Market and Industry Review

Since 2021, the European and U.S. economies have shown signs of recovery, especially in the U.S., where the monetary and fiscal stimulus policies have improved the employment market, enhanced consumer confidence and significantly increased economic activities. Against the backdrop of the ongoing global pandemic, uncertainties in the recovery of the world economy, and complexity of domestic and foreign environments, China's economy continued to move forward on the track of sustained and stable recovery in the first half of this year, and the economic development showed a strengthening and improving trend while remaining stable.

Throughout the first half of 2021, the global supply of copper ores were in a shortage, and the supply side of upstream raw materials provided strong support for copper price. From a macro perspective, the global currency liquidity was maintained at a satisfactory level, crude oil prices continued to rise, vaccination proceeded rapidly, large-scale infrastructure projects in the U.S. were put on the agenda, and the sharp decline in the U.S. dollar pushed up copper price to a new record high. Subsequently, as concerns about the Federal Reserve's interest rate hikes rose, the U.S. dollar stopped falling and rebounded, and the global supply of copper ores gradually recovered, copper price fell from the high.

In the first half of 2021, the average London Metal Exchange ("LME") monthly and three month copper future prices were USD9,095 per ton and USD9,094 per ton, respectively, up by 65.67% and 65.00% year-on-year, respectively. In the first half of 2021, the average Shanghai Futures Exchange ("SHFE") monthly and three month copper future prices were RMB66,806 per ton and RMB67,174 per ton, respectively, up by 49.96% and 50.51% year-on-year, respectively. The domestic copper price fluctuated in a similar trend with the international market copper price, as evidenced by the fact that the main fluctuation range of the major copper contracts in SHFE was between RMB57,000 per ton and RMB79,000 per ton, with the highest price at RMB78,640 per ton in May 2021. Affected by overseas economic recovery, and thus driving consumption growth and appreciation of RMB, the LME copper price outperformed the SHFE copper price.

Furthermore, in the first half of 2021, the production and operation of China's copper plates and strips processing industry improved overall, as reflected in sufficient and significant sales orders, the increased percentage of companies that were in business in the industry as compared to the previous years, and the significant increase in the production output and capacity utilisation rate as compared with the same period of last year. In the second quarter of this year, the significant increase in raw material prices had a negative and adverse impact on the production of the industry. However, since the second quarter was traditionally the peak season for production and consumption in China, and the Chinese government had issued timely policies to regulate commodity prices, the market confidence for copper plates and strips processing enterprises and end consumers were restored. As a result, the copper plates and strips processing industry and the end consumption in the second quarter of this year maintained an overall rising trend.

Business Review

In the first half of 2021, the Group's copper plates and strips realised a total production output of 77,171 tons and total sales volume of 76,696 tons. Also, the Group's copper plates and strips business realised sales revenue of RMB3,161.1 million, representing an increase of 62.7% as compared to the corresponding period of 2020. In particular, revenue from the sales of copper products amounted to RMB2,978.3 million, revenue from provision of processing services amounted to RMB129.0 million, and revenue from trading amounted to RMB53.8 million, representing an increase of 60.9%, 78.2% and 183.2% as compared to the corresponding period last year, respectively. Moreover, the copper business realised a net profit of RMB162.8 million, representing an increase of 314.2% as compared to the net profit (excluding the change in fair value of contingent consideration receivables and payables) of RMB39.3 million for the corresponding period last year. This was mainly due to the increase in copper price and sales volume.

Business Development

In 2021, the Group mainly focused on the following aspects:

- 1) In terms of market expansion, the Group focused on increasing the sales volume of existing customers and the development of new markets. Also, seizing the opportunity of recurring overseas pandemic, the Group enhanced the continuous expansion of domestic high-end downstream industries, which had originally imported advanced products from foreign competitors, and vigorously expanded into the application fields, such as, electronics, connectors, integrated circuits, automobile electrical appliances, and relay industries.
- 2) In terms of product innovation, the Group took import substitution as the direction to continue to deepen the stable yield rate and process curing technology of high-value-added and high-tech products in the first half of this year, made breakthroughs in sample certification of many target customers, and successfully opened supply channels, laying a solid foundation for subsequent increments. At the same time, focusing on the stabilisation of product quality, the Group strove to make quality and technical breakthroughs and strictly implemented process control to prevent the outflow of defective products. In the first half of this year, the return rate of our products decreased significantly, while production and sales volume increased.
- 3) In terms of cost reduction, the Group continuously made promotion on reducing costs, cutting expenditures, improving efficiency, and generating revenue. Production costs were reduced through the substantial increase in total volume and yield rate, as well as the reasonable allocation of production plans. In respect of procurement expansion of renewable raw materials, the Group actively expanded the channels and varieties of scrap copper procurement, made use of national policy support to increase procurement efforts, and explored overseas scrap copper markets to reduce procurement costs.

Outlook

In the current trend of consistently improving economic development in China, especially in the power, electronic information, high-end equipment, integrated circuit, automobile manufacturing and other industries related to the consumption of copper plates and strips (being the state critical focus areas), the development will continue to increase the demand for copper plates and strips. In particular, among which the demand for high-precision copper plates and strips in high-end sectors will continue to grow and it is expected to be beneficial to the Group's copper plates and strips business. However, in the second half of this year, we will still face various unfavorable factors such as recurring global pandemic, high uncertainty over economic growth, and large fluctuation in commodity prices. As such, the Group will strengthen risk control and achieve stable profit growth on the premise of continuously ensuring production and sales volume.

ONLINE GAMING BUSINESS

In August 2016, the Group acquired 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 series of domestic companies controlled through contractual agreements.

Funnytime achieved total revenue of RMB6.7 million and a net loss of RMB0.4 million for the six months ended 30 June 2021, compared with total revenue of RMB8.4 million and a net loss of RMB4.6 million for the same period of 2020. The decrease in revenue and the net loss incurred are due to the following reasons:

- 1) revenue from existing games shrank and new products were still in the testing phase; and
- 2) Funnytime had less impairment losses on receivables for the six months ended 30 June 2021 as compared with the same period of 2020.

Market and Industry Review

According to the China's Gaming Industry Report from January to June 2021, the actual sales revenue of China's gaming market reached RMB150.493 billion, a year-on-year increase of 7.89%, showing that the industry continued to maintain a relatively stable growth. The number of users reached 667 million, a year-on-year increase of 1.38%, indicating that the growth rate continued to slow down. It can be predicted that with changes in the demographic structure, competition in the gaming market will become more intense in the future, and the requirements for enterprises and products will gradually become strict.

From January to June 2021, the actual sales revenue of China's self-developed online games in the domestic market amounted to RMB130.1 billion, a year-on-year increase of 8.3%, and continued to maintain more than 80% of the domestic market share. From January to June 2021, the actual sales revenue of China's mobile gaming market amounted to RMB114.8 billion, a year-on-year increase of 9.6% and RMB10.1 billion. The number of mobile game users reached 656 million, a year-on-year increase of 1.3%. Despite the slowdown in year-on-year growth, mobile games still dominated the domestic gaming market due to their large user base and easy operation. The actual sales revenue of the terminal-end gaming market was RMB29.9 billion, a year-on-year increase of 6.2%. Stimulated by certain factors such as the relaxation of traffic restrictions on internet bars, the terminal-end market rebounded from the corresponding period last year. The launch of web game products continued to decline, and the actual sales revenue in the market was RMB3.0 billion, a year-on-year decrease of 24.5%. Web games are exiting from the mainstream market, and the downward trend will be difficult to reverse if no new favourable factors arise.

Business Development

Operation Center

Despite the decline in the total revenue from certain mature games including “Art of War and Three Kingdoms (《兵法三國》)” and “Ambition of Three Kingdoms 2 (《三國之志2》)”, each product still could generate average monthly revenue ranging from approximately RMB1.0 million to RMB1.2 million, respectively. On the one hand, the operation team strengthened cooperation with the research and development teams of third-party vendors; on the other hand, it improved user stickiness and stabilised the life cycle and revenue of products through refined operations. At the same time, leveraging the advantages in user data and user needs, the operation team worked with the research and development teams to refine the self-developed products, and provided feedback and suggestions on testing during product development, to ensure good product quality before launching.

Research and Development Center

In the first half of 2021, the Group's online gaming business continued to enhance research and development, the team size further expanded. The Group committed to improving engine performance, art and sound quality, gameplay innovation and process optimisation of products. During the reporting period, the Group completed the development and the first round of testing of the new mobile game product named “Yi Qi Lai Xiu Xian (《一起來修仙》)”, and achieved good data performance, while the second round of testing and subsequent official public testing are expected to be carried out in the third quarter of 2021. Also, the first version of the new H5 product has completed its development, and it is planned to be tested online in the third quarter of 2021.

OUTLOOK

The Group's online gaming business will continue to adhere to the strategic orientation of high-quality games to enhance product innovation, stick to the core development strategy of "integration of research and operation", and make full use of promotion resources, to create a variety of high-quality games from a long-term perspective.

FINANCIAL REVIEW

Revenue and gross profit

The Group recorded a total sales revenue of RMB3,167.8 million in the reporting period, which increased by 62.4% as compared with that of the corresponding period of last year.

The Group's copper business achieved a total revenue of RMB3,161.1 million for the six months ended 30 June 2021, representing an increase of 62.7% compared to RMB1,942.5 million of the corresponding period in 2020. Revenue generated from the sales of high precision copper plates and strips, provision of processing services, and trading of raw materials amounted to RMB2,978.3 million, RMB129.0 million and RMB53.8 million respectively (for the six months ended 30 June 2020: RMB1,851.1 million, RMB72.4 million and RMB19.0 million respectively). For the six months ended 30 June 2021, 94.2%, 4.1% and 1.7% of total revenue were derived from the sales of high precision copper plates and strips, provision of processing services, and trading of raw materials respectively (for the six months ended 30 June 2020: 95.3%, 3.7% and 1.0% respectively). Sales volume of high precision copper plates and strips, provision of processing services, and trading of raw material were 52,065 tons, 24,631 tons and 2,215 tons respectively, making 66.0%, 31.2% and 2.8% of the total.

The Group's online gaming business achieved a revenue of RMB6.7 million for the six months ended 30 June 2021, representing 0.2% of the total revenue (for the six months ended 30 June 2020: RMB8.4 million).

The overall gross margin of the Group's copper business for the period increased to 13.7% from 10.1% of the corresponding period in 2020, which was mainly due to the increase in copper price.

Other income

During the six months ended 30 June 2021, the Group's other income amounted to RMB7.9 million in total, representing a decrease of 26.9% compared to RMB10.8 million of the corresponding period of last year, which was mainly due to a decrease in government grants.

Other expenses

For the six months ended 30 June 2021, the Group recorded RMB59.6 million in other expenses, while other expenses for the corresponding period of last year was RMB38.0 million. Such increase was mainly because the Group recorded more net loss on derivative financial instruments in 2021 (RMB58.0 million) as compared with 2020 (RMB33.9 million).

Distribution expenses

For the six months ended 30 June 2021, the ratio of distribution expenses to revenue decreased to 0.9% as compared to 1.0% of the corresponding period of last year. This was mainly due to the increase in revenue.

Administrative expenses

For the six months ended 30 June 2021, the Group's administrative expenses increased by 35.4% to RMB138.8 million from RMB102.5 million in the corresponding period of last year, which was attributable to an increase in personnel costs and research and development expenses.

Net finance costs

The Group's net finance costs for the six months ended 30 June 2021 amounted to RMB11.9 million, representing an increase of RMB8.7 million compared to that of RMB3.2 million of the corresponding period of last year. This was mainly because the Group recorded RMB8.2 million on change in fair value of contingent consideration receivables and contingent consideration payables in 2020.

Income tax

For the six months ended 30 June 2021, the Group's income tax expenses was RMB44.9 million (for the six months ended 30 June 2020: RMB7.7 million). The Group's consolidated effective tax rate for the six months ended 30 June 2021 was 22% (for the six months ended 30 June 2020: 15%). The increase in the effective tax rate was mainly due to the increase in taxable profits of those subsidiaries under a higher applicable income tax rate of 25%.

Profit attributable to the shareholders of the Company

The profit attributable to shareholders of the Company for the six months ended 30 June 2021 amounted to RMB162.1 million, representing an increase of RMB119.3 million compared to that of RMB42.8 million of the corresponding period of last year.

Liquidity financial resources and capital structure

As at 30 June 2021, the Group recorded a net current assets of RMB596.4 million, which was primarily because the Group had more inventories.

As a percentage of total interest-bearing borrowings, short-term interest-bearing borrowings represented 91.7% as at 30 June 2021. 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 net cash inflows from operating activities. Also, the Group has good credit standing and relationships with principal lending banks and possesses available undrawn banking facilities of RMB1,319.3 million that will not expire within 12 months from 30 June 2021 (including long term loan facilities amounting to RMB655.0 million effective until 2026) and cash at banks of RMB914.9 million (comprised of restricted bank deposits of RMB422.4 million, bank deposits with original maturity over three months of RMB144.1 million and cash and cash equivalents of RMB348.4 million) respectively. Based on previous experience and the Group's relationships with its principal lending banks, the Board of the Company believes that the Group can roll over the existing short-term bank borrowings upon maturity in the coming year. The Board of the Company is confident that the Group has adequate financial resources to sustain its working capital requirements and meet its foreseeable debt repayment requirements.

As at 30 June 2021, the Group had outstanding bank loans and other borrowings of approximately RMB1,089.8 million, which shall be repaid within 1 year. As at 30 June 2021, 64.1% of the Group's debts was on a secured basis.

The gearing ratio as at 30 June 2021 was 37.8% (31 December 2020: 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 shareholders of the Company as shown in the consolidated statement of financial position plus net debt.

Charge on assets

As at 30 June 2021, the Group pledged assets with an aggregate carrying value of RMB652.2 million (31 December 2020: RMB618.7 million) to secure bank loans and facilities of the Group.

Capital expenditure

For the six months ended 30 June 2021, the Group has invested approximately RMB67.6 million in purchase of property, plant and equipment. These capital expenditures were largely financed by internal resources and bank borrowings.

Capital commitments

As at 30 June 2021, future capital expenditures, for which the Group had contracted but not provided for, amounted to RMB524.6 million, which is mainly for plant construction and capacity expansion of the Group's copper processing business.

Contingent liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities.

MARKET RISK

The Group is exposed to various types of market risks, including price risk, interest rate risk and foreign exchange risk.

Price risk

The Group is exposed to raw material price fluctuations. Cathode copper, alloy trimmings, zinc, tin, nickel and other metals are the principal raw materials used in the production of the Group's products. The Group had made such purchases at market prices. In addition, sales of all products of the Group were according to market price, which might fluctuate and were beyond the Group's control. Therefore, fluctuations in the prices of raw materials may have an adverse effect on the results of the Group's operations.

The Group uses its copper futures contracts in SHFE and LME to hedge against fluctuations in copper price. The Group recorded a loss on futures contracts of approximately RMB58.0 million for the six months ended 30 June 2021, which was approximately RMB33.9 million in the corresponding period of last year.

Interest rate risk

Except for short-term deposits, the Group has no significant interest-bearing assets. Therefore, the Group's income and operating cash flows are, to a large extent, independent of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to fluctuations in interest rates on bank borrowings. The Group's exposure to debt is used for general corporate purposes, including capital expenditures and working capital needs. The Group's bank borrowings bear interest rates that are subject to adjustment by lenders in accordance with changes of the relevant regulations of the People's Bank of China ("PBOC"). The Group's financing costs will increase when the PBOC raises interest rates. Fluctuations in interest rates will affect the cost of undertaking new debts. The Group had not entered into any interest rate swaps to hedge against exposure to interest rate risk.

Foreign exchange risk

The Group's export sales and certain parts of the purchase of raw materials were denominated in foreign currencies, primarily U.S. dollars. Therefore, fluctuations in exchange rates may have an impact on the Group's operating results. The Group has not entered into any foreign exchange contracts to hedge against foreign exchange rate risk as at 30 June 2021. For the reporting period, the Group recorded a net foreign exchange gain of RMB1.8 million, while recording a net loss of RMB2.6 million for the corresponding period of 2020.

EMPLOYEES

As at 30 June 2021, the total number of the Group's employees was 1,452 (31 December 2020: 1,336). Remuneration policies are reviewed periodically to ensure that the Group is offering competitive employment packages to employees. The employees' benefits include salaries, pensions, medical insurance scheme and other applicable social insurance. Promotion and salary increments are assessed in accordance with performance. The Group's business growth depends on its employees' skills and contributions. The Group believes in the important position of human resources in a highly competitive industry and has devoted resources for training its employees. Also, share options may be granted and shares may be awarded to eligible employees of the Group respectively in accordance with the terms of the share option scheme adopted by the Company and share award scheme adopted by the Board of the Company. The Group has established an annual training program for employees so that the new employees can master the basic skills required to perform their duties, and existing employees can enhance or upgrade their skills.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

The Company adopted a share option scheme on 1 December 2007 (the "**2007 Share Option Scheme**") which was terminated by shareholders at the extraordinary general meeting of the Company held on 27 May 2016. No further options should thereafter be granted under the 2007 Share Option Scheme. Details of 2007 Share Option Scheme were set out in the published annual report of the Company for the year ended 31 December 2015.

A new share option scheme had been adopted by shareholders at the extraordinary general meeting of the Company held on 27 May 2016 (the "**2016 Share Option Scheme**").

The principal terms of the 2016 Share Option Scheme were set out in the published annual report of the Company for the year ended 31 December 2020.

During the period under review, no options were granted, exercised, lapsed, cancelled or outstanding under the 2016 Share Option Scheme.

The Board of the Company also adopted a share award scheme on 18 April 2016 (the "**Share Award Scheme**"). Details of the Share Award Scheme are set out in note 13 of the notes to the unaudited interim financial results in this announcement.

AUDIT COMMITTEE

The audit committee of the Board of the Company has reviewed with management the accounting policies and practices adopted by the Group and discussed the financial reporting matters including the review of the interim results and the interim report for the period under review prepared in accordance with relevant accounting standards.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the period under review.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Board of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”). Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company in the six months ended 30 June 2021. The Company completed the placing of 85 million new shares under General Mandate (as defined in the announcement dated 16 July 2021) on 29 July 2021. Details of the placing are set out in the Company’s announcements dated 16 July 2021 and 29 July 2021.

INTERIM DIVIDEND

The Board of the Company did not declare the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

PUBLICATION OF 2021 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website (www.xingyealloy.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The Company's 2021 interim report will be made available on the websites of the Company and Hong Kong Exchanges and Clearing Limited 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 August 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.