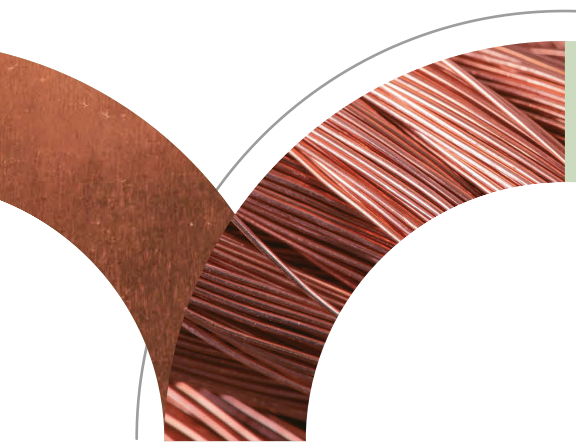
Xingye Alloy Materials Group Limited
興業合金材料集團有限公司

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

ANNUAL REPORT
2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Mr. ZHU Wenjun
Ms. MUI Ngar May, Joel

PRINCIPAL LEGAL ADVISORS

Hong Kong

Zhong Lun Law Firm LLP

PRC

Zhong Lun Law Firm

Cayman Islands

Conyers Dill & Pearman, Cayman

AUDITORS

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

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS

Hong Kong

Flat 11, 11/F., Hung Tai Industrial Building
37-39 Hung To Road, Kwun Tong
Kowloon, Hong Kong

PRC (Copper Business)

No. 68, Jin Xi Road
Hangzhou Bay New Zone
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Zhejiang Province
315336, PRC

PRC (Online Game Business)

No. 31, Jiaan Road
Shenzhen
Guangdong Province
518066, PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
P.O. Box 705
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Bank of China

COMPANY WEBSITE

www.xingyealloy.com

STOCK CODE

505

CHAIRMAN'S STATEMENT

On behalf of the board of directors, I am pleased to present the annual report of Xingye Alloy Materials Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021.

In 2021, the Group continued to adhere to the working guidelines of "expansion and innovation, quality stabilisation and cost reduction, improvement and development". Under the leadership of the board of directors and the concerted efforts of all employees, the Group's copper processing business seized the opportunities arising from the normalised domestic pandemic controls, and the recurring COVID-19 outbreaks overseas and frequent natural disasters in Europe, the production and sales volume of copper alloy plates and strips products have achieved a historical record since the establishment of the Group. Also, in 2021, the Group actively accelerated the process of product import substitution. On the basis of having tapped into the cooperation channels for several key target customers in China in 2020, the Group has initially established a system comprising of ten key customers, maintaining a stable and incremental supply, and laid a solid foundation for the continuous development of the product market, the steady increase in market share and the continuous expansion of its brand influence.

In 2021, due to the effective control measures and the quantitative easing policy of the Chinese government, coupled with the recurring pandemic in major foreign economies and the occurrence of abnormal weather conditions in Europe, a large number of overseas orders were made to China, the China economy enjoyed relatively high growth as compared with other major economies.

In 2021, benefiting from the shrinking production of international peers, orders in China's copper processing industry continued to increase, and copper products remained in short supply. During the reporting year, the Group realised production and sales volume of 156,000 tons (excluding trading business), achieving a pivotal milestone in the development history of the Group, and continued to maintain leadership in the domestic high-precision copper alloy plates and strips industry.

I am hereby pleased to announce that the profit attributable to shareholders of the Company for 2021 was RMB277.0 million, representing a year-on-year increase of 83.7%, and the annual revenue was RMB6,949.9 million, representing a year-on-year increase of 53.3%.

OUTLOOK

In the first quarter of 2022, some major cities in China were hit by another wave of pandemic, which is difficult to predict the duration and degree of impact on economic activities. At the same time, the sharp escalation of international geopolitical conflicts brought uncertainties to global peace and development, causing huge volatility risks in the international commodity market. In addition, no substantial improvements have been achieved in the trade friction between the two major powers, China and the US in the short term. The above-mentioned macro situation has put the domestic economic operation under great pressure. Although the Group's business has achieved great success in 2021, we believe that we will face more challenges from the external environment in 2022. Under the leadership of the board of directors and the joint efforts of all employees, the Group will make constant efforts to fulfill its own duties and responsibilities to react to various risks and emergencies, and continue to firmly move towards the goal of building a world-leading century-old enterprise.

APPRECIATION

On behalf of the board of directors, I would like to express my sincere gratitude and blessings to all shareholders, employees, partners and all sectors of the community.

HU Changyuan
Chairman

Hong Kong, 31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

The Group's total revenue for 2021 amounted to RMB6,949.9 million, representing an increase of 53.3% as compared to RMB4,534.9 million in 2020. The Group's profit attributable to the shareholders in 2021 increased by 83.7% to RMB277.0 million from RMB150.8 million in 2020.

COPPER PROCESSING BUSINESS

Market and Industry Review

During 2021, copper price first showed a rising trend, which was then followed by a drop, and the London Metal Exchange (LME) copper price fluctuated from USD7,700 to USD10,750 per ton. During the first four months of 2021, affected by easing monetary liquidity, weakening U.S. dollar and tightening supply of copper ores, copper price rose sharply. Since May 2021, under the circumstance of expectation for tightening monetary liquidity, U.S. dollar rebounding, and alleviation of the tight global supply of copper concentrate, copper price dropped from a high level, but overall maintained good resilience due to the strong fundamental support of low global copper inventory level.

The closing price of the three-month copper futures quoted on LME on the last trading day of 2021 was USD9,755 per ton, representing an increase of 25.81% from the last trading day of 2020. The copper price in the Shanghai Futures Exchange (SHFE) moved in a similar trend with that of the LME market. The continued appreciation of RMB in 2021 led to an overall weaker SHFE copper price as compared to the LME copper price. During 2021, the highest price of SHFE three-month copper futures was RMB78,270 per ton on 10 May 2021, hitting a new high since 2006, while the lowest price was RMB66,000 per ton on 20 August 2021. The closing price of SHFE three-month copper futures on the last trading day of 2021 was RMB70,380 per ton, representing an increase of 21.87% from the last trading day of 2020.

In respect of copper plates and strips industry, during 2021, due to the impact of the global COVID-19 pandemic, the major western economies suffered sluggish growth, and the utilisation rate of overseas copper plates and strips processing enterprises slumped. The export of copper plates and strips products used in machinery and equipment, electrical appliances, decoration, clothing buttons and consumer electronic products increased significantly. Meanwhile, a large number of original domestic import orders were fulfilled through domestic procurement due to global logistics congestion. During 2021, the PRC Government introduced a series of effective development policies to improve domestic consumer demand, which further solidified the stability of the booming domestic market. With the gradual implementation of "New Infrastructure" projects in China, the demand for electronic lead frame strips, copper plates and strips for ultra-high voltage-related transformers and converters, cable strips, copper strips for automobile connectors, conductive copper plates and strips used in charging piles for new energy vehicles, copper plates and strips used in discrete devices for electronic communication and consumer electronics, and other related products for the development of "5G, ultra-high voltage, new energy vehicles and charging piles, data centers, cloud computing and other industries" increased significantly.

According to the research of Antaike, an industry research institute, China's copper plates and strips processing capacity reached 3.6 million tons in 2021, a year-on-year increase of 6.1%, and the production output reached 2.7 million tons, a year-on-year increase of 18.3%. According to import statistics, the total import volume of copper plates and strips of China in 2021 reached 127,800 tons, a year-on-year increase of 11.6%, and the total export volume reached 80,400 tons, a year-on-year increase of 64.3%. During 2021, the consumption of copper plates and strips in China reached 2.7 million tons, a year-on-year increase of 17.0%, and the capacity utilisation rate of copper plate and strip processing enterprises across China was 74%, a year-on-year increase of 7.6%.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking ahead to 2022, it is widely expected that macro economic factors will be further intertwined, geopolitical conflicts will escalate, and the international environment will become more complex. In terms of monetary policies, the major western economies led by the United States have accelerated the pace of interest rate hikes, while the People's Bank of China is expected to continue to implement proactive fiscal and easing monetary policies. The impact of the pandemic on global supply will gradually reduce, and the supply will increase while maintaining stability; and new energy policies will bring incremental demand for copper. Both supply and demand in the copper market are improving, which is expected to continue to benefit the copper plates and strips industry, but the benefits to the companies in the copper processing industry may not be as much as that of 2021.

Business Review

During the reporting year, the Group's copper processing business realised a total revenue of RMB6,939.5 million and sales volume of 162,158 tons, representing an increase of 53.5% and 18.8% respectively over 2020. The revenue from manufacturing and sales of precision copper plates and strips was RMB6,447.0 million, representing an increase of 52.4% from RMB4,229.3 million of last year. The sales volume of precision copper plates and strips was 104,378 tons, representing an increase of 12.5% from 92,818 tons in the same period of last year. The increase in copper plates and strips revenue was mainly due to an increase in both sales volume and copper price. During the reporting year, copper products processing services revenue reached RMB276.6 million, representing an increase of 33.7% from RMB206.9 million of last year. While the volume of processing services was 51,273 tons, representing an increase of 30.1% from 39,417 tons of last year. During the reporting year, revenue from trading of raw materials was RMB215.9 million, representing an increase of 158.6% from RMB83.5 million of last year. Trade sales were 6,507 tons, representing an increase of 53.6% from 4,235 tons of last year.

Business Development

During 2021, China's economy embraced a strong recovery as the COVID-19 pandemic was put under regular control. Despite geopolitical tensions and China-US trade frictions from time to time, due to the effective control of the domestic pandemic and the uncertainties in foreign economic environment, the copper plate and strip processing industry experienced a rare explosive growth. Under the leadership of the Board of Directors of the Group and due to the joint efforts of all employees of the Group, the production and sales volume of copper products of the Group (excluding trade business) exceeded 150,000 tons for the first time, representing an increase of 17.7% from that of 2020, and achieving a major historical milestone. The Group solidified its leading position in the domestic high-precision plate and strip industry in terms of production and sales volume, and also became a world-class and large scale copper processing company. During 2021, the Group mainly focused on the following areas:

1 In the area of market expansion, we focused on increasing the sales volume of existing customers and the development of new markets, and seized the opportunity of recurring overseas pandemic to enhance the continuous expansion in domestic high-end downstream industries, which originally imported advanced products from foreign competitors, and vigorously expanded into the application fields, such as electronics, integrated circuits, automobile electrical appliances, etching materials, and relay industries. In 2021, the sales volume of products with higher processing fees and new products exceeded 10,000 tons for the first time, and a total of 30 new customers, of which 4 to 5 have large volume potential, were acquired.

2 In the area of production capacity, the Group did not stop its marching steps at the production capacity of 150,000 tons, but aimed to acquire new production capacity as soon as possible by actively introducing first-class equipments from top equipment vendors from both domestic and overseas. In January 2021, the Group entered into a construction contract to undertake the construction of certain facilities and properties for the new factory built on the land acquired in 2019. The Group actively pushed for the progress of the construction of the new factory amid the disturbance caused by the pandemic. In 2021, the Group accelerated the selection and negotiation for the introduction of large and key equipments, and successfully entered into a contract for a set of high precision 20-high finishing reversing cold rolling mill in February 2022.

3 The Group continued to improve its level of management, which was mainly reflected in the following areas:

1) In the area of safety and environmental management, through continuous training, education, supervision and rectification, the Group ensured that no major safety, environmental or occupational accidents occurred in 2021, and general work-related injury accidents decreased as compared with 2020;

2) In the area of production management, the Group thoroughly sorted out and optimized the assessment indicators for its machines, promoted mentoring mechanism, formulated and implemented an annual equipment maintenance plan, improved equipment safety and technological operation specifications, continued to promote the application of equipment management software, standardized spare parts application and receiving process, and diversified visual management of on-site billboards, so that the working attitude, enthusiasm, standardization and consciousness of employees were greatly improved.

3) In the area of procurement management, the Group strengthened supply chain management, standardized and refined the procurement process, and sought and reserved a group of cost-effective suppliers; and regularly tracked and updated the prices of purchased items amid the increased market fluctuation.

4) In the area of human resource management, in order to cultivate a highly skilled, educated and stable staff team, the Group concentrated its efforts on recruitment, training and retention by the expansion of recruitment channels, strict control of recruitment thresholds, optimization and implementation of mentoring system, timely understanding of and response to employees' needs, customized design of training courses, stable implementation of personnel assessment system, establishment of leader promotion and selection process, and optimization of the evaluation plan for employees, thereby achieving reduced staff turnover and significantly improved staff stability and motivation.

Outlook

2021 was undoubtedly a memorable year for the copper plates and strips business of the Group, during which the Group not only achieved a pivotal milestone in production and sales volume, but also achieved a breakthrough in sales and profits. Standing on a higher platform, the Group has more confidence to achieve even more ambitious goals. Looking ahead to 2022, the Group will face a more complex international environment, a turbulent commodity market as well as the recurring global and domestic pandemic. However, through the development of the past few years, the Group has gradually adopted a set of methods that are in line with its development philosophy. The Group will seek opportunities in the crisis and control risks during growth, and believes that under the strong leadership of the Board of Directors, the Group's copper processing business will continue to develop steadily in 2022, laying a solid foundation for the Group to realize the production and sales target of 200,000 tons as soon as possible.

GAMING BUSINESS

Industry Review

According to the China's Gaming Industry Report in 2021 (the "**Report**"), the sales revenue of China's game market increased and the actual sales revenue for the whole year maintained a stable growth to RMB296.5 billion, representing a year-on-year increase of 6.4%. The number of game users in China reached 666 million people for 2021 representing a year-on-year increase of 0.15%.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In August 2016, the Group completed the acquisition of Funnytime, which mainly engages in the development, distribution and operation of online games through its wholly owned subsidiary Soul Dragon Limited and two domestic companies, namely Hefei Zhangyue Network Technology Co., Ltd. ("**Zhangyue**") and Ningbo Longhui Network Technology Co., Ltd. ("**Longhui**") both controlled through contractual agreements. Funnytime achieved total revenue of RMB10.4 million and net loss of RMB2.8 million for the year ended 31 December 2021, representing a decrease of 31.6% in revenue and a decrease in net loss of 59.4% respectively over 2020. The decrease in revenue is mainly because the revenue of existing gaming products was shrinking and new products were still being developed or being tested by game operators.

Outlook

Looking ahead to 2022, the Group's gaming business will continue to push hard for the official launch of two new online games amid the challenges caused by the recurring pandemic.

FINANCIAL REVIEW

Revenue and gross profit

The Group's copper business achieved total revenue of RMB6,939.5 million for the year ended 31 December 2021, and the Group's online gaming business achieved revenue of RMB10.4 million for the year ended 31 December 2021.

For the year ended 31 December 2021, the Group recorded total sales revenue of RMB6,949.9 million, which increased by 53.3% from RMB4,534.9 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 162,158 tons of copper products, which increased by 18.8% from 136,470 tons of 2020. The Group recorded a gross profit of RMB790.5 million for 2021, which increased by 47.2% as compared with 2020. The increase in gross profit is mainly due to an increase in sales volume of copper products in the current year.

Other income

For the year ended 31 December 2021, the Group recorded other income of RMB15.4 million, which decreased by RMB9.6 million as compared to 2020, and was mainly due to a decrease in government grants.

Other expenses

For the year ended 31 December 2021, other expenses of the Group was RMB62.0 million, which decreased by RMB45.3 million from RMB107.3 million in 2020. This was mainly because the Group recorded less net loss on derivative financial instruments in 2021 (RMB59.7 million) as compared with 2020 (RMB101.8 million).

Distribution expenses

For the year ended 31 December 2021, distribution expenses of the Group increased by RMB18.9 million from RMB42.6 million in 2020 to RMB61.5 million in 2021. The increase is mainly due to an increase in sales volume.

Administrative expenses

For the year ended 31 December 2021, administrative expenses of the Group increased by RMB71.8 million from RMB242.2 million in 2020 to RMB314.0 million in 2021, and was mainly due to an increase in R&D expense and personnel costs.

Net finance (costs)/income

For the year ended 31 December 2021, the Group's net finance costs were RMB14.5 million (2020: net finance income of RMB4.7 million). This was mainly due to an increase in interest expenses, and settlement of contingent consideration receivables and contingent consideration payables in 2020, which recorded RMB9.8 million changes in fair value of contingent consideration receivables and contingent consideration payables.

Income tax

For the year ended 31 December 2021, the Group's income tax expense increased by RMB53.0 million to RMB76.5 million from RMB23.5 million in 2020, and the effective tax rate (excluding changes in fair values of contingent consideration receivables and payables) increased to 21.6% in 2021 as compared to 14.2% in 2020. 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

As a result of the aforementioned factors, the profit attributable to the shareholders of the Company increased by RMB126.2 million to RMB277.0 million in 2021 from RMB150.8 million in 2020.

Liquidity and financial resources

As at 31 December 2021, the Group recorded net current assets of RMB686.4 million, compared with net current assets of RMB438.5 million as at 31 December 2020.

The short-term interest-bearing borrowings represented 95.4% of total interest-bearing borrowings as of 31 December 2021. As at the date of this annual report, the Group had not experienced any difficulty in raising funds by securing and rolling over short-term loans borrowed from various banks in the PRC, which were renewed on an annual basis in accordance with local market practice.

The Group is able to generate cash from operating activities, has good credit standing and relationships with principal lending banks, and possesses available undrawn banking facilities together with bank deposits of RMB1,968.8 million (including long term loan facilities amounting to RMB803.1 million) and RMB926.1 million (comprised of restricted bank deposits of RMB566.2 million, bank deposits with maturity over three months of RMB124.1 million and cash and cash equivalents of RMB235.8 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 2021, the Group had outstanding bank loans and other borrowings of approximately RMB822.9 million, which shall be repaid within 1 year. As at 31 December 2021, 58.0% of the Group's debts were on a secured basis.

The net gearing ratio as at 31 December 2021 was 28.7% (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 equity shareholders of the Company, as shown in the consolidated statement of financial position, plus net debt.

Charge on assets

As at 31 December 2021, the Group pledged assets with an aggregate carrying value of RMB617.1 million (31 December 2020: RMB618.7 million) to secure bank loan facilities.

Capital expenditure

In the year ended 31 December 2021, the Group invested RMB156.6 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 2021, future capital expenditures, for which the Group had contracted but not provided for, amounted to approximately RMB480.7 million, which is mainly for plant construction and capacity expansion of the Group's copper processing business.

Important Events After the End of the Financial Period

There are no important events affecting the Group which have occurred after the end of the financial year ended 31 December 2021 and up to the date of this annual report.

CONTINGENT LIABILITIES

As at 31 December 2021, 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 2021, the Group had 1,449 employees, of which the copper business and online gaming business had 1,391 and 58 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 POLICIES

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 16 July 2021, the Company and the placing agent entered into the placing agreement to place 85,000,000 placing shares (the "**Placing**") at a placing price of HKD0.96 per placing share with gross and net proceeds of approximately HKD81,600,000 and HKD79,968,000 respectively to not less than six placees, who are independent professional, institutional and/or other individual investors. The Placing was completed on 29 July 2021 and the placing shares represent approximately 9.45% of the Company's issued share capital as enlarged by the Placing. Details of the Placing are set out in the Company's announcements dated 16 July 2021 and 29 July 2021.

In addition, the trustee of the share award scheme adopted by the Company on 18 April 2016 (the "**Share Award Scheme**"), pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 12,145,000 shares of the Company at a total consideration of HKD12,920,171.9 (equivalent to RMB10,725,760.45) throughout 2021.

Except for the Placing and the purchase of shares under the Share Award Scheme mentioned above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2021.

CORPORATE GOVERNANCE REPORT

The Board is committed to promoting good corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and believes that maintaining a high standard of corporate governance is essential to the success of the Group and focuses on enhancing greater accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2021, the Company has complied with the code provisions that were in force as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The current practices will be reviewed by the Board regularly to follow the latest practices of corporate governance.

COMPLIANCE WITH THE MODEL CODE AS SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors of the Company (the "**Directors**"), all the Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

Board composition

The Board currently has three Executive Directors, namely, Mr. HU Changyuan (Chairman), Mr. HU Minglie (Chief Executive Officer) and Mr. ZHU Wenjun, and three independent non-executive Directors, namely, Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong. The size and composition of the Board are reviewed regularly to ensure that they are well balanced with each Director having sound knowledge, experience and expertise relevant to the business and development of the Group. There is no financial, business, family or other material relationships among members of the Board except for a family relationship between Mr. HU Changyuan (Chairman) and Mr. HU Minglie (Chief Executive Officer). Biographical details of the Directors and relationship among Directors are set forth in the section headed "Biographical Details of the Directors" of this annual report.

An updated list of its Directors identifying their roles and functions and whether they are independent non-executive directors is published on the Company's website and the designated website of Hong Kong Exchanges and Clearing Limited (the "**Exchange's website**").

At least one-third of the members of the Board are independent non-executive Directors and the Board comprises at least three independent non-executive Directors, which meet the minimum requirements of the Listing Rules. Therefore, the number of the independent non-executive Directors appointed by the Company is in compliance with Rule 3.10 and Rule 3.10A of the Listing Rules.

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

Responsibilities of the Board

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

The Board delegates on specific terms to the management to carry out defined strategies and report to the Board in respect of day-to-day operations. For such purposes, the Board has laid down clear terms of reference which specify those circumstances under which the management shall report to the Board and those decisions and commitments for which prior approval of the Board is required.

The Company convenes at least four regular Board meetings a year and meets more frequently as and when required. During the year ended 31 December 2021, the Board convened a total of 5 Board meetings (including 4 regular Board meetings) and the individual attendance record of the Directors is tabulated as follows:

Name of Director	Number of meetings held while being a Director	Number of meetings attended
Executive Directors		
Mr. HU Changyuan *(Chairman)*	5	5
Mr. HU Minglie *(Chief Executive Officer)*	5	5
Mr. ZHU Wenjun	5	5
Independent Non-executive Directors		
Mr. CHAI Chaoming	5	5
Dr. LOU Dong	5	5
Ms. LU Hong	5	5

Notice of at least 14 days should be given to the Directors of a regular Board meeting to give all Directors an opportunity to attend the meeting. All Directors are supplied with comprehensive Board papers and relevant materials within a reasonable period of time before the intended meeting date (usually no less than one week before the Board meeting). In respect of regular meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers should be sent in full to all Directors in a timely manner and at least 3 days before the intended date of Board meeting or Board committees meeting, which ensure that all Directors would have the opportunity to include matters in the agenda.

CORPORATE GOVERNANCE REPORT

Directors are free to express their views at the meetings of the Board. Important decisions will only be made after detailed discussion at the Board meetings. Directors confirmed that they have responsibility to act in the interests of the public and the Company, particularly in the interests of minority Shareholders. In the event of a conflict of interests between Shareholders' interests and any other interests, Shareholders' interests shall prevail.

Directors have free access to the management for enquiries and to obtain further information so as to facilitate the decision-making process. The management would also be invited to attend Board meetings from time to time for detailed explanation of the issues under discussion and respond to enquiries from the Directors.

Detailed minutes of meetings are compiled for Board meetings or Board committee meetings. Minutes of the meetings must record issues in detail which are considered by the Directors during the meeting as well as the resolutions passed, including any concerns or objections put forward by the Directors.

One week's time will be available to all the Directors and the Board committee members to provide comments on the draft minutes of the relevant meetings. The draft minutes will then be approved with confirmation given by the chairman of the meetings or the chairman of the Board committee.

Minutes of Board meetings or Board committee meetings are kept by the secretary to the Board or the Company Secretary and are available for inspection by the Directors at all times.

All Directors are free to communicate with the secretary to the Board and the Company Secretary who are responsible for ensuring and advising on compliance of all procedures in connection with the Board and all applicable rules and regulations.

The Board and Board committees are provided with sufficient resources for performance of their duties including but not limited to hiring consultants when necessary at the expense of the Company. Individual Directors can also hire consultants for advice on any specific issues at the expense of the Company.

All Directors can obtain from the secretary to the Board or the Company Secretary timely information and latest development about rules and regulations and other continual responsibilities which directors of listed companies must observe so as to ensure that each Director is informed of his/her own duties and that the Company implements Board procedures consistently and complies with the legislations properly.

Corporate Governance Functions

The Company is committed to achieving high standards of corporate governance to safeguard, uphold and maximize the interests of Shareholders and to enhance corporate value and accountability. The Board is responsible for the following corporate governance duties:

– To develop, review and update the Company's policies and practices on corporate governance;

– To review and monitor the training and continuous professional development of directors and senior management;

– To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

– To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year under review, the Board had performed the above duties.

Directors' and officers' liability

Appropriate directors' and officers' liability insurance has been arranged for the Directors and officers of the Company.

Directors' training and continuing professional development

The Directors are committed to comply with Code Provision A.6.5 of the CG Code on Directors' training so as to ensure that their contribution to the Board will be informed and relevant.

The Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. The Company from time to time updates and provides written training materials to the Directors, and organizes seminars on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices.

The Company arranged an in-house briefing on regulatory update of director's duties for listed companies to Directors conducted by a law firm during the year. All Directors attended the in-house training.

All Directors have participated in appropriate continuous professional development programmes and reading materials to develop and refresh their knowledge and skills and provided the Company with their record of training they received for the year ended 31 December 2021.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

The Company follows a formal, considered and transparent procedure for the appointment of new directors. The Nomination Committee has formulated a nomination policy and is responsible for identifying and nominating suitable candidates for the Board's consideration as additional directors or to fill in casual vacancies on the Board and making recommendations to the shareholders regarding any directors proposed appointment or re-election at annual general meetings.

Details of the selection process of new directors and a summary of work performed by the Nomination Committee in 2021 are set out under the "Nomination Committee" section below.

According to Articles 87(1) and 87(2) of the Company's Articles of Association, one-third of the Directors shall retire from office by rotation at least once every three years and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Any Director appointed by the Board pursuant to Article 86(3) shall not be taken into account in determining which particular Director or the number of Directors who are to retire by rotation. Pursuant to Article 86(3) of the Company's Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election.

Each of the executive Directors of the Company had entered into a service contract with the Company with effect from their respective date of appointment until terminated in accordance with the term of the service contracts. Under the service contracts, either the executive Director or the Company may terminate such appointment at any time by giving to the other not less than three month's prior notice in writing.

Each of the independent non-executive Directors of the Company had entered into an appointment letter with the Company and were appointed for a term of 3 years.

DIVISION OF RESPONSIBILITIES

The posts of Chairman and the Chief Executive Officer are distinct and separate. The Chairman is responsible for supervising the functions and performance of the Board, while the Chief Executive Officer is responsible for the management of the businesses of the Group. The current Chairman and Chief Executive Officer of the Company are Mr. HU Changyuan and Mr. HU Minglie, respectively.

The Board has three independent non-executive Directors who have brought in strong independent judgment, knowledge and experience. In addition, each executive Director is delegated individual responsibilities to monitor and oversee operations of a specific area, and to implement strategies and policies that are set by the Board. Currently, all the members of each of the Audit Committee and the Nomination Committee are independent non-executive Directors, whereas the majority of members of the Remuneration Committee are independent non-executive Directors. This structure ensures a sufficient balance of power and authority as well as a segregation of powers within the Group.

BOARD COMMITTEES

The Board has appointed the following Board committees to oversee particular aspects of the Company's affairs:

Audit Committee

The Audit Committee was established on 1 December 2007 with specific written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board in accordance with the requirements of Listing Rules and the CG Code, which are published on the Company's website and the Exchange's website. During the year under report, the Audit Committee comprised three independent non-executive Directors, namely, Mr. CHAI Chaoming (Chairman), Dr. LOU Dong and Ms. LU Hong. The Audit Committee meets formally at least twice a year.

Two Audit Committee meetings were held during the year ended 31 December 2021. At the meetings, the members of the Audit Committee executed the major duties and responsibilities which are provided below. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Member	**Number of meetings held while being a Member**	**Number of meetings attended**
Mr. CHAI Chaoming *(Chairman)*	2	2
Ms. LU Hong	2	2
Dr. LOU Dong	2	2

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

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

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

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

– to review internal control matters with the external auditors;

– to review the external auditors' statutory audit plan and letters to the management;

– to advise the Board on appointment, re-appointment and removal of hired external auditors, approve remuneration and terms of engagement of external auditors and to handle any problems in relation to the resignation or dismissal of auditors; and

– to review continuing connected transactions and examine the adequacy of internal controls of the Group as part of the standard procedures.

The duties of the Audit Committee also include reviewing the scope and results of the audit and its cost effectiveness, and the independence and the objectivity of the Company's auditor. The Audit Committee will review the independence of the Company's auditor and the resources and adequacy of the internal audit function at least once a year. Where the auditor also supplies non-audit services to the Company, the Audit Committee will keep the nature and extent of such services under review, and seek a balance between the maintenance of objectivity and value for money.

The Audit Committee has free access to the accountants and senior management of the Group and to any financial and relevant information which enable them to discharge their functions effectively and efficiently. Besides internal assistance being available, the Audit Committee may request for assistance and advice from external auditors as and when they think necessary at the expenses of the Company. The Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the external auditors. In addition, the Audit Committee should meet with the external auditors without the presence of the executive Directors to discuss the Group's financial reporting and any major and financial matters arising during the year under review at least once a year.

In addition, the Audit Committee is authorized:

– to investigate into any matter within the ambit of its written terms of reference;

– to have full access to and co-operation by the management;

– to have full discretion to invite any Director or executive officer to attend its meetings; and

– to have reasonable resources to enable it to discharge its functions properly.

Remuneration Committee

The Remuneration Committee was established on 1 December 2007 with specific written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board in accordance with the requirements of the Listing Rules and the CG Code, which are published on the Company's website and the Exchange's website. During the year under report, the Remuneration Committee comprised two independent non-executive Directors and one executive Director, namely, Dr. LOU Dong (Chairman) and Ms. LU Hong and Mr. ZHU Wenjun. Its primary objective is to ensure that the Company can recruit, retain and motivate high-calibre staff in order to reinforce the success of the Company and create value for our Shareholders. The Remuneration Committee is also responsible for making recommendations to the Board on Directors' remuneration packages and on establishment of a formal and transparent procedure for developing remuneration policy. When recommending the remuneration package for each individual Director, the Remuneration Committee will consider his/her qualification(s) and experience, specific duties and the prevailing market packages available for a similar position. The Remuneration Committee shall aim to meet at least twice a year.

Three Remuneration Committee meetings were held during the year ended 31 December 2021. At the meetings, the Remuneration Committee reviewed the remuneration policy and packages of the Directors and senior management and information regarding the directors' remuneration in the interim report and the annual report and made recommendation to the Board for approval. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Member	**Number of meetings held while being a Member**	**Number of meetings attended**
Dr. LOU Dong *(Chairman)*	3	3
Ms. LU Hong	3	3
Mr. ZHU Wenjun	3	3

The remuneration of members of the senior management (including all executive Directors) by band for the year ended 31 December, 2021 is set out below:

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

Nomination Committee

The Nomination Committee was established on 1 December 2007 with specific written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board in accordance with the requirements of the CG Code, which are published on the Company's website and the Exchange's website. During the year under report, the Nomination Committee comprised three independent non-executive namely, Directors Mr. CHAI Chaoming (Chairman), Dr. LOU Dong and Ms. LU Hong. The Nomination Committee meets formally at least once a year.

One Nomination Committee meeting was held during the year ended 31 December 2021. At the meeting, the members of the Nomination Committee executed the major duties and responsibilities which are provided below. The individual attendance record of each member of the Nomination Committee is tabulated as follows:

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

According to the written terms of reference of the Nomination Committee, the major duties and responsibilities of the Nomination Committee include:

– to regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;

– to review whether or not an independent non-executive Director is independent for the purpose of the Listing Rules on an annual basis;

– to be responsible for identifying and nominating appropriate candidate(s) to fill Board vacancies as and when they arise;

– to assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board;

– to advise the Board on issues regarding appointment or re-appointment of Directors and succession of Directors; and

– to review the board diversity policy.

The Board has adopted a nomination policy ("**Nomination Policy**") setting out process and procedure for nomination of directors by the Nomination Committee. The objective of the Nomination Policy is to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. To ensure changes to the Board composition can be managed without undue disruption, a formal, considered and transparent procedure is in place for selection, appointment and re-appointment of Directors. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities.

The Nomination Committee had convened a meeting for the nomination of Directors for re-election at the forthcoming annual general meeting of the Company and had resolved that which Directors shall retire, and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy with effect from 28 August 2013 and discussed all measurable objectives (if any) set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board will be beneficial for the enhancement of the Company's performance. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional and industry experience, skills, knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

ACCOUNTABILITY AND AUDIT

Directors' and Auditors' acknowledgement

The Board acknowledges its responsibilities for the preparation of the financial statements for each financial year, which should give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows for that year in compliance with relevant laws and disclosure provisions of the Listing Rules.

In preparing the financial statements for the year ended 31 December 2021, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The financial statements for the reporting year have been prepared on a going-concern basis.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. A statement by the auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Auditors' Remuneration

During the year, the Company engaged KPMG as the external auditors of the Group until the conclusion of the next Annual General Meeting.

The fees in respect of audit services provided by KPMG for the year ended 31 December 2021 amounted to approximately RMB2.38million.

Risk Management and Internal Control

The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems of the Group and reviewing their effectiveness on an ongoing basis. The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee. Management has provided a confirmation to the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021. The risk management and internal control systems are designed to manage, not eliminate, the risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The main framework of the Group's risk management and internal control systems at each level are summarized as follows:

- the Board evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;

- the Audit Committee oversees management in the design, implementation and monitoring of the risk management and internal control systems;

- the management designs, implements and maintains appropriate and effective risk management and internal control systems, monitors risks and takes measures to mitigate risks in day-to-day operations; and

- the Risk Management and Internal Audit Department reviews the adequacy and effectiveness of the Group's risk management and internal control systems, and reports to the Audit Committee the findings of the review and makes recommendations to the Board and management to improve the material weaknesses.

Process Used to Identify, Evaluate and Manage Significant Risks

The processes used to identify, evaluate and manage significant risks by the Group are set out below:

Risk Identification and Assessment

- Identifies risks that may potentially affect the Group's business and operations;
- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact on the business and the likelihood of their occurrence.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

The Company has set up a department for risk control and internal audit of the Group. The review of risk management and internal control will be conducted quarterly.

The scope of review was suggested by the Risk Management and Internal Audit Department, and was previously approved by the Audit Committee. The Risk Management and Internal Audit Department has reported major findings and areas for improvement to the Audit Committee. All recommendations from the Risk Management and Internal Audit Department are properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

During the year, the Directors, through the Audit committee, reviewed the effectiveness of the risk management and internal control systems, and considered the said systems to be effective and adequate.

Dissemination of Inside Information

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a disclosure policy which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With these guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to make decisions regarding the need for disclosure.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

– is well aware of its obligations under the Listing Rules and the overriding principle that information, which is considered as inside information, should be disseminated to the Shareholders and published promptly when it is the subject of a decision;

– conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

- informs all Directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Stock Exchange;

- has developed procedures and mechanisms for the disclosure of inside information;

- has included in its employees' code of conduct a strict prohibition on the unauthorised use of confidential, sensitive or inside information, and has communicated such prohibition to all staff; and

- has established and implemented procedures for responding to external enquiries about the Company's affairs. For example, only Chairman, Chief Executive Officer and delegated executive Directors can act as the Company's spokespersons and has authority to respond to enquiries on designated topics.

Whistle Blowing Policy

To achieve and maintain the highest standards of openness, probity and accountability, the Company adopted a whistle blowing policy on 29 March 2012. This policy aims to govern and deal fairly and properly with concerns raised by the Company's employees about any suspected misconduct or malpractice regarding financial reporting, internal control or other matters within the Company.

COMPANY SECRETARY

The Company has engaged and appointed a representative from an external secretarial service provider as the Company Secretary of the Company. The primary contact person of the Company with the company secretary is Mr. ZHU Wenjun, an executive Director and the Chief Financial Officer of the Group. The biographical details of Mr. ZHU Wenjun are set out under the section headed "Biographical Details of Directors" of this report.

According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2021.

SHAREHOLDERS AND INVESTOR RELATIONS

Communication with Shareholders and Investors

The Company is committed to providing Shareholders and other stakeholders (including potential investors) with balanced and understandable information about the Company. The Company uses various communication methods to ensure its Shareholders are kept well informed of key business imperatives. These include general meetings, annual reports, interim reports, various notices, announcements and circulars.

To ensure all Shareholders timely access to important corporate information, the Company utilises its corporate website to disseminate to the Shareholders information such as announcements, circulars and annual and interim reports. Any information or documents of the Company posted on the Exchange's website are also published on the Company's website (www.xingyealloy.com) under the "Investor Relations" section. Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management are also available on the Company's website.

The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed of the Group's strategy, operations, management and plans.

The annual general meeting and other general meetings of the Company provide a useful forum for Shareholders to exchange views with the Board. The Company provides Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. The Chairman of the Board and other Directors, the chairmen of board committees or their delegates, and the representative of external auditors are available to answer Shareholders' questions at the annual general meeting. The chairman of the independent board committee or his/her delegate will be also available to answer questions at any general meeting if a connected transaction or any other transaction that is subject to independent shareholders' approval is required.

The individual attendance record of the Directors at the 2021 annual general meeting ("**AGM**") is tabulated below:

	AGM
Executive Directors	
Mr. HU Changyuan *(Chairman)*	✓
Mr. HU Minglie *(Chief Executive Officer)*	✓
Mr. ZHU Wenjun	✓
Independent Non-executive Directors	
Mr. CHAI Chaoming	✓
Dr. LOU Dong	✓
Ms. LU Hong	✓

Shareholders may make direct enquiries about their shareholdings to the Company's Hong Kong branch share registrars. To the extent the requisite information of the Company is publicly available, Shareholders and other stakeholders (including potential investors) may put forward their enquiries about the Company to the Board or the Company Secretary at the Company's head office in Hong Kong or by email, the contact details are also available on the Company's website.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to put forward enquiries to the Board

The Company's website provides an email address and enquiry telephone lines to enable Shareholders to make any enquiries and concerns to the Board. Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling.

Procedures for Shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Act, However, Shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above.

If a Shareholder wishes to propose a person (the "**Candidate**") for election as a director of the Company at a general meeting, he/she shall deposit a written notice at the Company's head office at Flat 11, 11th Floor, Hung Tai Industrial Building, 37-39 Hung To Road, Kwun Tong, Kowloon, Hong Kong or Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, at level 54, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong. The written notice must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules.

The procedures for Shareholders to propose a person for election as director is published on the Company's website.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "**Dividend Policy**") which does not have any pre-determined dividend payout ratio. In considering dividend payment, the Board will take into account factors such as depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the directors of the Company may consider relevant from time to time. The Board will review the Dividend Policy from time to time and the Dividend Policy does not constitute any commitment or obligation of the Company to declare dividends.

CONSTITUTIONAL DOCUMENTS

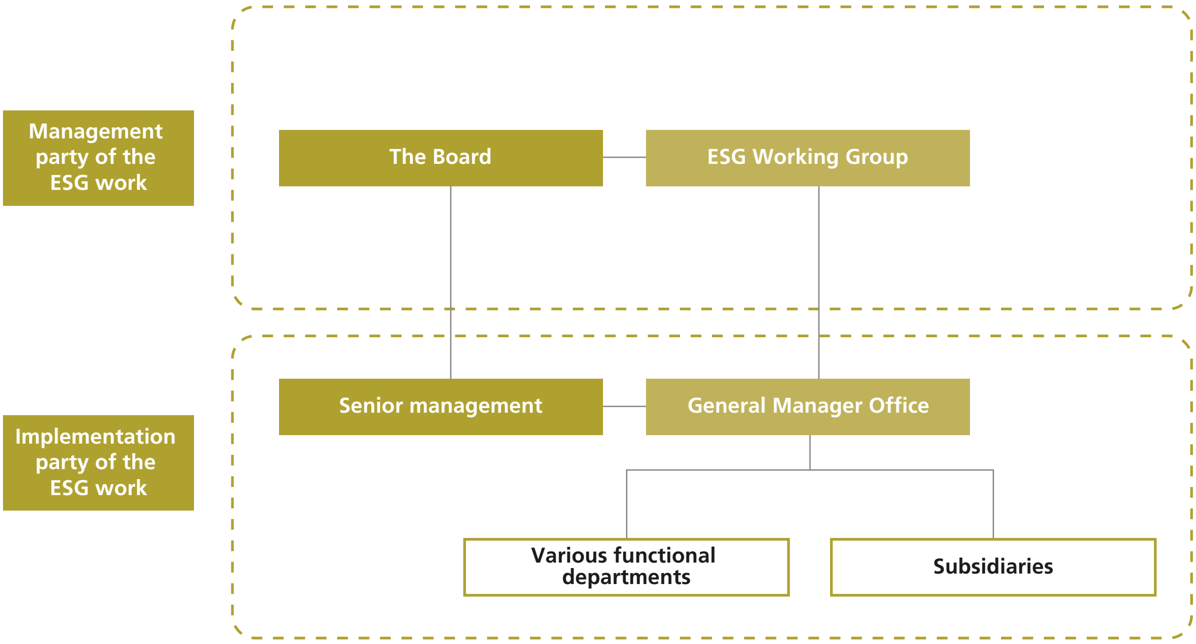
The constitutional documents of the Company (i.e. the Memorandum of Association and Articles of Association) are available on the Company's website and the Stock Exchange's website. There are no changes in the Company's constitutional documents during the year.

ESG MANAGEMENT STATEMENT OF THE BOARD

ESG Governance Framework

The Company has established a top-down Environmental, Social and Corporate Governance (ESG) governance structure, for which the Board is responsible as a whole. The Company has also established the ESG Working Group under the Board to coordinate various ESG management efforts, communication and information disclosure tasks, assess ESG risks, ensure the internal management of and control over ESG risks, and report to the Board on the progress and results of ESG work, and set up the General Manager Office under the senior management as the implementation party of ESG work, so as to promote the implementation of ESG policies and measures across the Company, and report regularly to the ESG Working Group the implementation of ESG tasks.

ESG Governance Structure of Xingye Alloy



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG responsibilities of Xingye Alloy

ESG responsibility of the Board and ESG Working Group:

The Board, which is the highest decision-making body for ESG management, is responsible for supervising and assessing the results to ensure sound and good ESG governance. The ESG Working Group support the Board to perform its decision-making duties, which mainly include:

a) Assess and evaluate risks and opportunities relating to environment, society and corporate governance of the Company;

b) Ensure there are suitable and effective risk management and internal control system for environment, society and corporate governance in place;

c) Supervise, approve and develop policy, strategy, priorities and goals for managing environment, society and corporate governance;

d) Review the performance of the Company in relation to environment, society and corporate governance goals;

e) Review information disclosed in the environmental, social and corporate governance report.

ESG responsibility of the senior management and General Manager Office:

With the authorization of the Board, senior management assists in implementing the ESG work to ensure that suitable and effective ESG risk management and internal control system have been set up. The General Manager Office is mainly responsible for implementing and coordinating the ESG work, and its main duties include:

a) Establish, supervise and review the formulation of ESG management policies and strategies, and promote ESG related concepts within and outside the Company;

b) Promote various departments to implement various ESG policies, formulate and monitor the formulation and implementation of ESG goals, and report on the implementation of environmental, social and governance projects;

c) Guide and review the identification and sorting of major ESG issues;

d) Assist in preparing the annual ESG report and other ESG related disclosure information, and submit it to the Board for review and approval for disclosure;

e) Identify ESG risks relating to the Company on an annual basis, assess the impacts of such risks on the Company and provide accommodation to the Board in relation to the risks;

f) Other duties delegated by the Board.

ESG Vision and Strategies

As the capital market pays more attention to Environmental, Social and Corporate Governance (ESG), the Board of the Company are increasingly emphasizing ESG efforts. The Company keeps in mind its vision of "building a professional and international first-class supplier of copper plates and strips", and incorporates its operation philosophies of "employee-pleased, customer-impressed, shareholder-satisfied and society-recognized" into its corporate culture and strategic planning. On this basis, the Company established a social responsibility management model, actively undertook its responsibilities for the shareholders, environment, employees, customers and community, and put forward its ESG management strategies of "sound and compliance-based operation", "green and harmonious development", "building a happy home", "win-win cooperation and quality first" and "insisting on giving back to society" from those five aspects.

ESG Management Strategies of Xingye Alloy

	Short and medium term (3-5 years)	Long term (5-10 years)
For shareholders: sound and compliance-based operation	Strengthen the management of compliance and anti-corruption, and provide compliance and anticorruption trainings to cover all members of the Board, senior management and all employees to create compliance culture.	Continuously improve the mechanisms for communication with internal and external stakeholders.
For environments: green and harmonious development	Keep improving the production process, renovate environmental facilities and reinforce recycling to promote resource saving, while reducing greenhouse gases and waste emissions incurred during the production and operations.	Eliminate the effect of our own operations on the environment, promote low-carbon environment in industrial chain and contribute to China's 2060 carbon neutrality goal.
For employees: building a happy home	Respect and safeguard various legal interests of employees, and build up a harmonious employee relationship with a multi-level employee communication mechanism and staff care actions; Provide diverse training resources and career development channels for employees to empower employees' career development; Create a safe and healthy work environment for employees.	Adhere to the people-oriented principle, actively protect various legal interests of employees, create a brand image of "Happy Home", and provide employees with a sound career development platform.

	Short and medium term (3-5 years)	Long term (5-10 years)
For customers: win-win cooperation and quality first	Strengthen the construction of customer service system and quality service system which are oriented to the idea of "customer demand and quality first"; Build up a responsible supply chain, enhance the management of suppliers in terms of environmental protection, labour and ethics, and eliminate effects on the environment and community in supply chain.	Continuously promote technology R&D and innovation and product R&D, and provide reliable and quality products and services to customers with an aim to become a professional and trusted partner.
For community: insisting on giving back to society	Proactively carry out social welfare activities such as volunteer activities and caring donations, so as to further integrate with the community.	Conduct and expand community engagement and social welfare activities to improve corporate social influence.

ESG Management and Targets Review

To ensure the effectiveness of the ESG strategies of the Company, the Board reviewed the identification results of major ESG issues of the Company annually, so as to ensure our ESG strategies cover all major ESG issues. The following principles were followed in the process of determining the relevant importance:

- Incorporate the opinions of important stakeholders and identify ESG issues concerned by the important stakeholders;
- Incorporate the opinions of management and identify ESG issues that have an important impact on the Company's business;
- The Board reviews issues that are of high interest to the stakeholders and that have an important impact on the Company's business, and lists them as important ESG issues.

Based on our business and operation characteristics, as well as the domestic and global benchmarks, the Company identified the core material issues via the process of issue identification and assessment. We prioritized the issues after taking full consideration of concerned issues of stakeholders, and disclosed them in this report.

Water Consumpton Target

As compared to 2018, the water consumption per unit product (m^3/tonne of product) in 2025 will be reduced by

40%

Greenhouse Gas Emissions Target

As compared to 2018, greenhouse gas emissions per unit product (tCO_2 equivalent/tonne product) in 2025 will be reduced by

50%

Non-hazardous Waste Target

As compared to 2019, the production of non-hazardous waste per unit product (kg/tonne product) in 2025 will be reduced by

30%

Hazardous Waste Target

As compared to 2018, the production of hazardous waste per unit product (kg/tonne product) in 2025 will be reduced by

15%

Energy Use Target

As compared to 2015, the comprehensive energy consumption per unit product (kWh/tonne product) in 2025 will be reduced by

20%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

FEATURE: INNOVATION-DRIVEN AND HIGH-QUALITY DEVELOPMENT ACHIEVEMENTS SHARING

Adhering to the concept of "focusing on innovation is to focus on development, and seeking innovation is seeking for the future", Xingye Alloy continues to improve the research and development innovation mechanism and the construction of research and development center platform, actively promote the development of innovative technologies, continue to create innovative products, and continuously provide the society with high-quality alloy material.

Improve the mechanism to empower industrial innovation

An effective innovation mechanism will be an important foundation for the continuous technological innovation of enterprises. In line with the scientific and technological innovation policy that "research and development projects come from the market, and relevant results are applied to the market", the Company made amendments to the "Project Development Control Procedure", and specified more details in the development of new products in 2021.

2021 Project Development Control Procedure	
(1)	Management requirements for quality objectives in each stage of project development;
(2)	Requirement that quotation only be made upon the completion of the cost budget;
(3)	Contents of inspection items in each stage milestone checklist;
(4)	Review content and requirements for transfer to mass production;
(5)	Project identification requirements.

In 2021, in addition to improving and revising the innovation system, the Company also advanced product R&D innovation by promoting the construction of the R&D center platform and improving the operation management system for R&D projects and other innovative incentives. In order to strengthen the construction of the talent team of the R&D center, the Company actively carried out cooperation projects between institutions and enterprises, and cooperated with the School of Materials of Central South University, to provide an advantageous platform for the cultivation of materials science talents through various ways, including the establishment of scholarships, post-doctoral workstations, and topics under the cooperation, such as "Double 70 New Alloy Research and Development" and "Research and Development of Copper-nickel-Tin High-strength and High-elasticity New Materials".

Construction of the R&D center platform system

Organizational management system of the R&D Center Platform	Operational management system of the R&D project	Talent echelon construction	Performance appraisal and innovation incentive system
• Build and improve the organizational management system of the R&D Center Platform, including intellectual property protection system, talent echelon construction system, performance appraisal and innovation incentive system, etc.	• Focusing on the construction project, the Company has set up small workshops for R&D, with medium workshops responsible for product research and development program design, technical exchanges, equipment selection and project implementation.	• Cooperate with the School of Materials of Central South University to establish a new material R&D cooperation project.	• Make amendments to the "Amended Procedures for Project Development" to provide guarantees for product R&D innovation from the institutional level.

Lead in the industry, share development achievements

In 2021, the Company achieved several innovations in the production and quality of copper products, copper-iron alloys and copper-tin products, and successfully developed new products such as copper products k24 and k40, which helped the industry growth and provided the society with better material choices.

New Product Development Achievements in 2021

Technology upgrade: Copper product K24 has a conductivity of more than 90% with excellent high temperature resistance. 5G technology means that higher data transmission brings higher calorific value. Although pure copper has high electrical conductivity, it has poor strength and high temperature resistance. The development of K24 can facilitate the wide application of 5G technology with higher efficiency.

Product development: The production and sales volume of the new products K36/K40 reached more than 1,000 tonnes in 2021. The production scale has been greatly increased, and the product quality has been improved, which helped enhance the comprehensive product yield, and bring good economic benefits to the Company.

Product development: Currently, most of the medium and high-end plates and strips in the PRC are imported from Germany, Japan and other countries. The Company has successively successfully developed new product K37, which has great potential in replacing imports, and has been listed in the series products, such as new etching material K38 for the 2025 Ningbo Major Projects. Both of these two products have achieved mass production.

Innovation potential: The copper-iron alloy CFA95 pre-research project has generally solved the key technical and organizational problems of melting and casting. The samples were sent to Japan for inspection and obtained preliminary approval. It is expected that there will be breakthroughs next year to fill the domestic gap.

Innovation potential: Copper-iron alloy 194, one of the most important alloy products in the future, will be widely used in the fields of military industry, medical treatment, and electronic communication. The Company will strengthen scientific and technological research on such product.

Building on its own product innovation, the Company actively promotes the development of the industry and has participated in the compilation of a number of national and industry standards. In 2021, the Company participated in the completion of a national standard of "Copper and Copper Alloy Foil" (promulgated), and the drafting of national standards, including "Zinc-nickel Alloy Foil for Shielding", "Processing Copper and Copper Alloy Grade and Chemical Composition", and "Guidelines for Green Factory Evaluation of Copper and Copper Alloy Processing Industry", contributing to the progress of the entire industry.

Remarkable achievements made to contribute to social progress

Innovation is the foundation of corporate development. The update of key technologies and the research and development of new products will help enterprises survive in the market competition. The Company's products have passed ISO9001 "Quality Control System Certification", "IATF16949-Automotive Copper Strip Product Certification", "Recycling System Certification" and "D-U-N-S Registered Certification Enterprise" and other authoritative certifications, and undertaken a number of national industrialization project tasks. In addition, the Company's products have repeatedly won honors such as "Excellent Products in China's Nonferrous Metals Industry", "Zhejiang Famous-brand Products", "Provincial Famous Trademark", and "Zhejiang Export Famous-brand Products". On the basis of its industry, Xingye Alloy will continue to focus on innovation, and give full play to its own technological advantages. While improving product quality, it will explore to achieve a higher level of environmental protection and social benefits, so as to promote progress of the industry.

Under the path of "innovation-driven, sharing high-quality development achievements", Xingye Alloy has been awarded various honors, including:

- Champion Demonstration Enterprise for Individual Achievement in Manufacturing of Ningbo City
- Advanced Certified Enterprise granted by the Customs (AA Level)
- AA Major Customer of China Export & Credit Insurance Corporation
- Vice-Chairman Unit of the Seventh Council of China Nonferrous Metals Processing Industry Association
- Zhejiang Enterprise Postdoctoral Workstation
- Top Ten Copper Plates & Strips Enterprises in China (First)
- National Enterprise Technology Center

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ESG MANAGEMENT

Xingye Alloy attaches great importance to its ESG management work, integrates environmental, social and corporate governance into the Company's long-term strategic planning, to continuously improve its ESG management level. It also actively joins hands with various stakeholders to create shared value.

1.1 ESG Management Progress in 2021

ESG Management Progress in 2021

For shareholders: sound and compliance-based operation	• Coverage of anti-corruption training was 100% • Percentage of Director trained in respect of anti-corruption was 100%
For environments: green and harmonious development	• As compared to 2018, greenhouse gas emissions per unit product reduced by 36% • As compared to 2018, the comprehensive energy consumption per unit reduced by 4% • As compared to 2018, the water consumption per unit product reduced by 28% • As compared to 2019, the production of non-hazardous waste per unit product reduced by 37%
For employees: building a happy home	• The mutual aid funds assisted a total of 63 employees, with a subsidy amount of RMB97,809.9 • The number of safety training participants reached 2,280, representing a coverage of safety training of 100%
For customers: win-win cooperation and quality first	• The Company's yield rate of genuine products reached more than 61.6% • The return rate was reduced to 0.88%
For community: insisting on giving back to society	• Input in community public services reached RMB260,000 • Total hours of employees participating in volunteer activities were over 500 hours

1.2 Communication with Stakeholders and Analysis of Materiality Issues

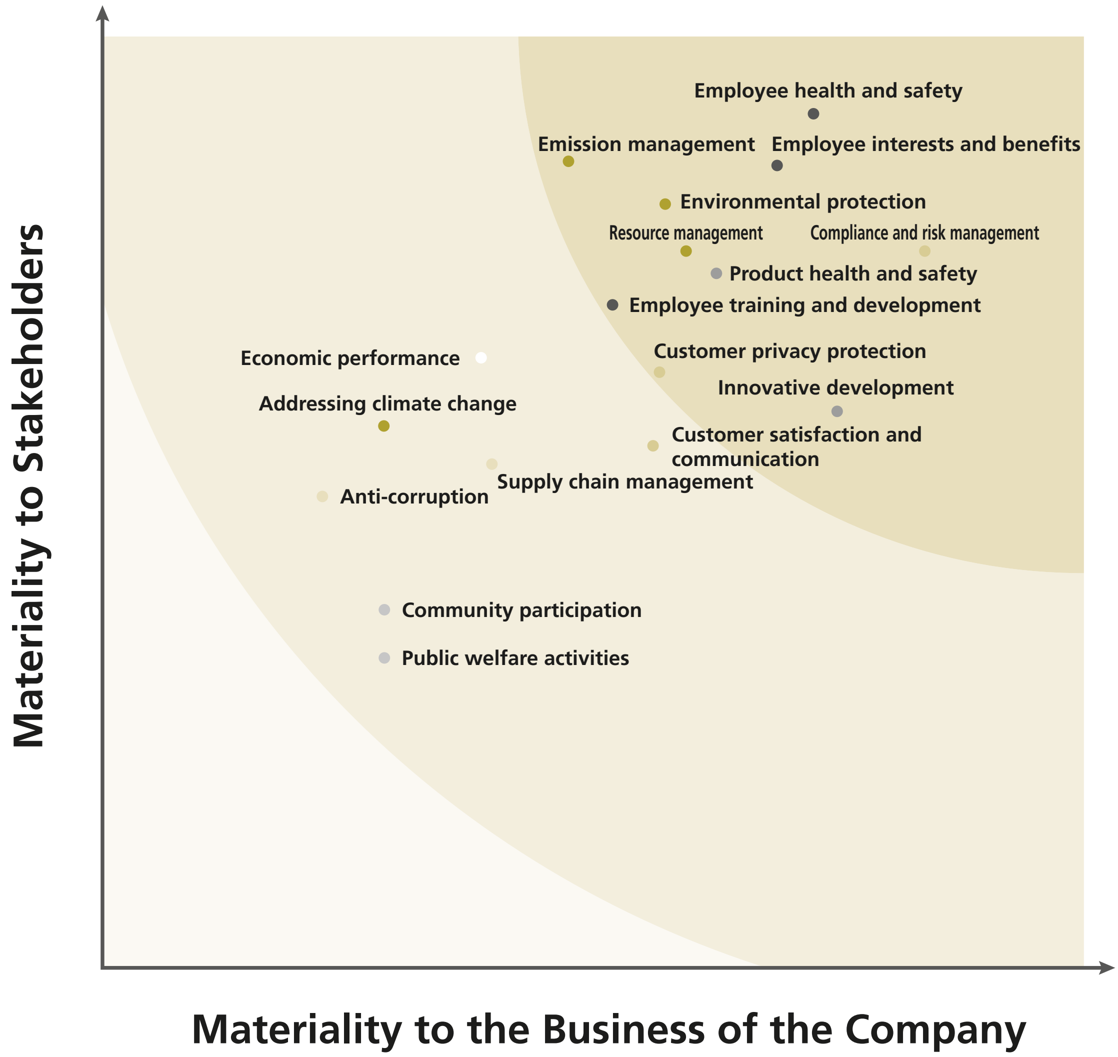
Communication with Stakeholders

The Company paid special attention to advice from various stakeholders, including its shareholders, investors, employees, customers, suppliers, communities, industries, governments and regulators. It has established a normalized communication mechanism with stakeholders. The Company attaches great importance to stakeholders' concerned issues and incorporates them into the Company's operation and decision-making processes.

Major Stakeholders	Communication Channel	Concerned Issues
Shareholders and investors	• General meeting • Information disclosure	• Compliance and risk management • Economic performance
Governments and regulators	• Project cooperation • Communication on conference • Supervision and inspection	• Compliance and risk management • Anti-corruption • Emissions management • Uses of Resources • Environmental protection
Customers	• Customer satisfaction investigation • Customer interview • Industry exchange	• Product health and safety • Technology innovation • Satisfaction and communication • Customer information safety and privacy protection
Suppliers	• Supplier assessment and review • Supplier training	• Supply chain management • Anti-corruption
Employees	• Regular meeting • Staff activities • Complaint and feedback	• Labour standard • Employee interests and benefits • Employee training and development • Occupational health and safety
Industries	• Industrial associations • Industrial interaction	• Innovative R&D • Intellectual property
Communities	• Community activities • Media communication	• Community participation • Social welfare

Analysis of Materiality Issues

Based on our business and operation characteristics, as well as the domestic and global benchmarks, the Company identified the core materiality issues via the process of issue identification and assessment. To ensure the effectiveness of the ESG strategies of the Company, we prioritized the material issues after taking full consideration of concerned issues of stakeholders. Response on material issues of copper processing business segments of the Company are set forth in chapter 2 to 4 of this report.



Materiality Issues	Level	Our Response
Compliance and risk management	High	Strictly comply with national regulations and establish a sound management system to ensure compliance operations; set up a risk assessment mechanism and risk list, and conduct regular internal audits to prevent various risks.
Employee health and safety	High	Set up leading group for safe production, environmental protection and occupational health, develop occupational health and safety production management system, and enhance management of factors related to occupational health and safety, and conduct regular internal review, inspection and safety hazard investigation, as well as carry out trainings so as to enhance awareness of safety.
Employee interests and benefits	High	Establish a human resources system, standardize process of recruitment, promotion, dismissal and other processes, implement employee welfare related policies, and set up smooth employee communication channels to ensure employees' legal rights and benefits.
Environmental protection	High	Establish an environmental protection management system, clarify the responsibilities of different departments and ranks of the Company for environmental protection, and identify, supervise and continuously improve the environmental protection work.
Resource management	High	Develop a resource management system, set up management goals and keep upgrading through resource recycling, technological transformation, etc. from the start, so as to save resources.
Emission management	High	Strictly follow the national emission standards, establish management systems of pollutant emissions and conduct emission testing regulation, and deliver the waste to qualified units for processing, and adopt measures such as equipment upgrading and renovation, and waste recycling to realize emission reductions.
Product health and safety	High	Strictly follow national standards, establish a sound quality management system and policy, set up annual indicators of quality control, and continue to carry out lean production management and equipment upgrades.
Innovative R&D	High	Establish system and policy targeting the R&D center, and fully promote innovative R&D from four dimensions, including organization management, project management, talent development, performance appraisal and innovation incentives.

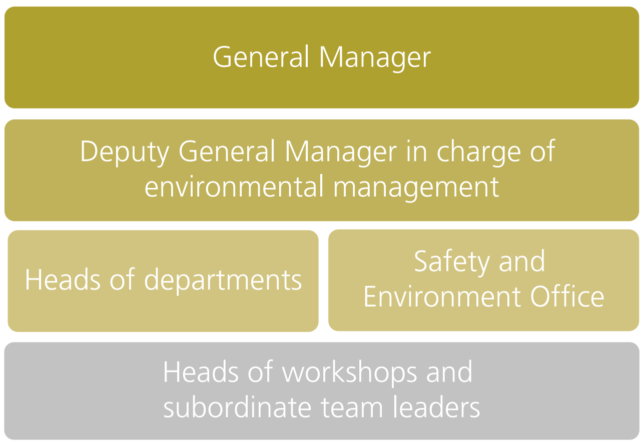
2. ENVIRONMENT: EMBRACING A SUSTAINABLE FUTURE

2.1 Environmental Management

With adherence to the concept of green development, the Company has established a sound environmental management system, set practical environmental management goals, and explored the impact of its own development on the ecological environment through environmental impact analysis. The Company has formulated the document "Environmental and Occupational Health and Safety Planning and Control Procedures", and adopted ISO14001:2015 (GB/T 24001-2016) certification for environmental management system to strengthen its environmental management. In 2021, the Company further refined its environmental management system and took active actions in energy and resource use, emissions management and response to climate change to contribute to building a more sustainable future.

Environmental Management System

Heads of Departments and Main Duties



Persons-in-charge		Main Duties
General Manager	The first person responsible for environmental protection	To formulate macro environmental management policies and development plans of the Company; To organize the environmental protection system and the system in relation to environmental protection targets.
Deputy General Manager in charge of environmental management	The direct person responsible for environmental protection	To support and guide the Environmental Protection Office to carry out environmental protection work; To implement and revise rules and regulations regarding environmental protection, and to decompose environmental protection targets.
Safety and Environment Office	The internal and external monitoring body for environmental management	To identify the environmental protection guidelines, policies, laws and regulations of the state and higher-level administrative departments; To monitor the implementation of the internal environmental management work of the Company.
Heads of departments and centers	The person responsible for general environmental protection issues within the business scope of the department	To address the problems and hidden risks in relation to environmental protection within its management scope; To collaborate with the heads of the subordinate workshops to implement the environmental protection system and operating procedures.
Heads of workshops and subordinate team leaders	Environmental management executive	Responsible for the specific implementation of the environmental management initiatives of the respective departments.

Environmental Impact Analysis

The Company focuses on copper processing, which mainly involves purchasing high-quality copper raw materials such as refined copper to produce high-precision copper plates and strips through a full set of smelting, rolling, heat treatment, cleaning, finishing and packaging processes. Main resources consumed in the production process of this business include water, electricity and natural gas; main discharges produced include exhaust gas, production waste water, and hazardous and non-hazardous waste.

Resource Input

Key Performance	2021
Use of Resources	
Power consumption per unit product (kWh/tonne product)	1,244.20
Natural gas consumption per unit product (m^3/tonne product)	91
Water consumption per unit product (m^3/tonne product)	3
Usage of packaging materials used for shipment of finished products per unit product (tonne)	3,594

Emission Output

Key Performance	2021
Emissions	
Waste water discharge per unit product (m^3/tonne product)	0.35
Production of hazardous wastes per unit product (kg/tonne product)	9.17
Production of non-hazardous wastes per unit product (kg/tonne product)	22.97
Emission intensity of greenhouse gases (tCO_2 equivalent/tonne product)	0.92

2.2 Use and Management of Resources

Energy Management

The Company's business covers copper alloy production, which mainly consumes electricity and natural gas, and emits a certain amount of greenhouse gas. Based on the principle of energy conservation and consumption reduction, the Company has formulated the management systems such as the Energy Management System, the Energy Saving and Consumption Reduction Control Procedures and the Administrative Measures for Electricity Consumption to improve energy efficiency and achieve energy conservation and emission reduction while satisfying and increasing productivity.

In 2021, the Company strengthened systems and system management, set up an energy management office, and adopted energy-saving technological transformation, thermal energy and additional solar energy, to improve energy efficiency and increase the proportion of clean energy use.

The Company's technological transformation energy saving and cost reduction project in 2021 (as of December 2021)

Project name	Monthly saved (RMB 0'000)	Accumulated from January to December (RMB 0'000)
Shengtai bell hydrogen recycling	32.85	274.5
Shengtai bell waste heat recycling	4.6	37.08
Waste heat recycling of Φ1800 bell annealing furnace process	1.16	5.9
Shengtai new bell electric to gas	9.26	253.79
Shengtai new walking furnace saving natural gas	55.84	418.13
Waste heat recycling of Shengtai new walking furnace	0.23	20.74
Shengtai Deman Air Compressor	2.23	22.53
Xintai bell waste heat recycling	1.96	20.73
Company-wide rainwater collection	0.15	3.78
1# Water Station	1.98	19.78
High-concentration oil-containing mixed raw liquid water treatment saving	82.68	461.92
Total	192.94	1,538.88

Water Resource Management

The Company's production water comes from the municipal water supply of Hangzhou Bay Water Supply Company in Hangzhou Bay New Zone. The source of production water is safe and the risk of not getting water is low. In order to strengthen the management of production water, the Company has formulated management systems such as the Provisions for the Management of Water for Production and Living, which stipulates measures for water conservation. In 2021, the Company carried out the transformation of recycled water in the pickling line to contribute to environmental management. In the future, the Company also plans to carry out a three-phase separation machine to process the emulsion water-saving project, so as to improve the utilization rate of water resources.

[Water resources management case] Water-saving project in relation to recycling water in pickling line and three-phase separation machine for emulsion treatment

The pickling line recycling water project aims to transform the mode of centralized collection and treatment into independent water tanks through the transformation of 11 pickling lines to realize internal water circulation. Such degreasing transformation of the pickling line enables to reduce the discharge of degreasing wastewater by 99% throughout the year.

The three-phase separation equipment can realize the separation of "oil, water and mud" of the emulsion. The transformation of the emulsion centrifuge will effectively improve the cleanliness of the emulsion, prolong the service time of the equipment and reduce the discharge. As compared with the equipment before the renovation, the emission reduction of the new equipment can reach more than 60%.

Packaging Management

The packaging materials used by the Company are mainly wooden frames, paper cores, interlining cloth, etc. The Company has formulated corresponding management regulations for the use of packaging materials to reduce waste of resources. In 2021, the Company recycled a total of 9,841 wooden frames and 24,965.9 kg of paper cores, effectively reducing the waste of resources.

2.3 Emission Management

Wastewater Management

In accordance with the national sewage treatment method and sewage treatment requirements, the Company strictly implemented the Wastewater Management Regulations, monitored the ammonia nitrogen, COD and PH in the wastewater, and completed the monthly, quarterly and annual inspections in a timely manner. In 2021, the Company updated the wastewater air flow treatment system, and also applied a large-capacity and high-concentration wastewater treatment station, striving to achieve effective monitoring and treatment of wastewater discharge. In 2021, there was no incident that caused the Company subject to punishment due to excessive or illegal discharge of pollutants.

Major updates of the Wastewater Management Regulations in 2021	
(1)	Newly added requirements in relation to rainwater. Strictly implement the regulations on the diversion of rainwater and sewage. It is strictly forbidden to discharge sewage into the rainwater pipe network.
(2)	Update the flow chart of industrial wastewater treatment and add the disposal process of high-concentration wastewater treatment station.

[Wastewater treatment case] Improve wastewater treatment efficiency

In 2021, the Company applied a high-concentration waste liquid treatment station with a capacity of 15 tonnes, replacing the original high-concentration waste liquid treatment station with a capacity of 5 tonnes. This improved the disposal efficiency of the Company's high-COD wastewater, such as grinding fluid, degreasing fluid and passivation fluid, and reduced the use of water treatment chemicals. Furthermore, this also decreased the generation of waste, and effectively improved the treatment efficiency of waste liquid in the Company's production process.

Exhaust Management

The pollutants contained in the Company's production fumes are primarily the exhaust gas generated by annealing furnaces, the oil mist generated during rolling and the acid mist generated during acid pickling. The types of emissions include particulate matter, lead, tin, nickel, etc. The Company strictly abides by the laws and regulations, including the Law of the People's Republic of China on the Prevention and Control of Air Pollution, and conducted waste gas management according to the national waste gas emission standards. In 2021, the Company replaced the damaged 91# and 127# acid mist towers with new ones. The updated acid mist towers effectively improved the efficiency of waste gas treatment and reduced harmful gas emissions. In 2021, the Company's gas emissions met relevant national and industry standards.

Air Pollutant Emission Standards	
(1)	Level 2 of Air Pollutant Emission Standard for Industrial Kilns and Furnaces (GB9078-1996)
(2)	Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012)
(3)	Level 2 standard for new pollutant sources in Comprehensive Air Pollutant Emission Standard (GB16297-1996)
(4)	Emission Standard of Pollutants for Regenerated Copper, Aluminium, Lead and Zinc Industry (GB31574-2015)
Standard Compliance: All have complied with the standard	

Waste Management

The waste generated in the Company's production and operation activities include general waste and hazardous waste. General waste mainly includes slag, copper scrap, leftover bits and pieces in workshops, etc. For the above non-hazardous waste, the Company has established the Recycling Resources Division to entrust qualified organizations for uniform handling of waste paperboards, waste plastics and other renewable resources, and sell waste copper and miscellaneous iron to recycling companies, in order to maximize utilization rate of resources. In 2021, the Company reviewed the environmental impact assessment of general solid waste disposal organizations to check whether the process registered in the environmental protection meets the disposal requirements, so as to ensure the standardization and safety of the solid waste treatment process.

The Company's hazardous waste mainly includes fly ash from smelting, copper-containing sludge, and waste mineral oil. The company strictly implements the "Standards for Control of Hazardous Waste Storage Pollution" to manage hazardous waste, mainly by using qualified waste disposal units to dispose of such waste, handling special approval formalities in accordance with the law, and strictly implementing the double-entry system for hazardous waste transfers.

In 2021, the Company carried out solid waste warehouse construction and sludge reduction actions, to continuously improve the management of hazardous waste. The Company renovated and rectified the general solid waste warehouse containing copper slag, and improved the measures for windproof, rainproof and infiltration to reduce the risk of hazardous waste leakage.

2.4 Climate Change Adaption

Climate Change Management

Global climate change not only causes extreme weather phenomena, but also seriously affects various economic and social activities. The Company actively responds to the appeals of global governments, investors and other stakeholders to address climate change, identifies risks and opportunities related to climate change, and continuously refines its management based on the results thereof to minimize the carbon footprint of its operating activities.

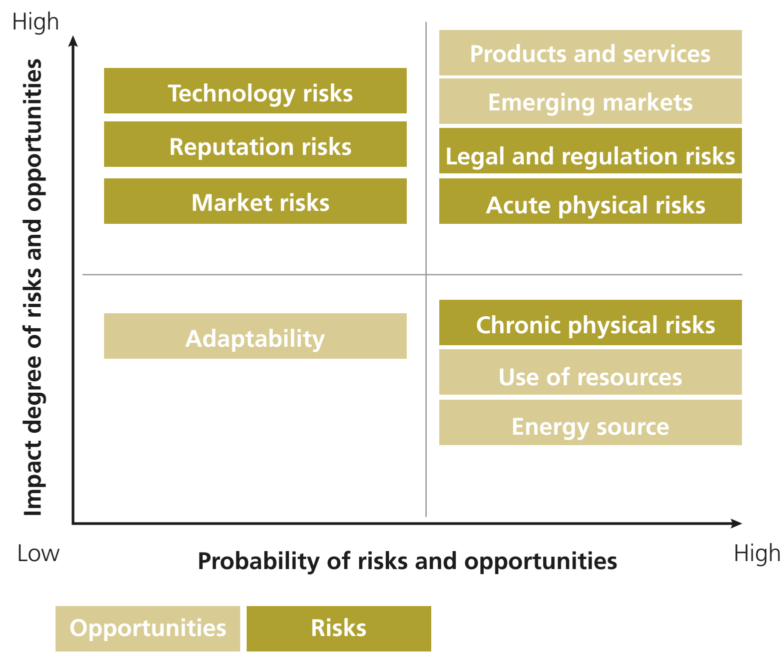
Climate Change Management System

Governance	• We have included climate change issues into the ESG focal points of Xingye Alloy. The Company's ESG issues, including climate change issues are monitored and managed by the Board; • The Company regards climate change mitigation and adaptation as one of the work priorities of all relevant business units and its safety and environmental protection department;
Strategy	• To assess the potential operational and financial impact on the Company based on the identified major risks and opportunities; • To carry out relevant management actions in the development of low-carbon operations and active use of clean energy (such as solar power);
Risk Management	• To identify the important links in operating activities which cause greenhouse gas emissions, and to identify potential risks and opportunities; • The Company plans to incorporate the risks and opportunities of climate change into its overall operational risk management in the future;
Performance	• To disclose greenhouse gas emissions and emission intensity in the ESG report each year so as to evaluate the Company's management performance on addressing climate change and to formulate improvement plans; • Carbon emission reduction targets have been formulated since 2020, and are planned to be disclosed in the annual report from this year.

Risks and Opportunities of Climate Change

In order to better cope with the potential risks and opportunities of climate change, the Company has identified risks and opportunities associated with climate change in relation to its own operations by conducting policy research and industrial benchmarking and with reference to expert opinions, and assessed the impact of various risks and opportunities on its financial position.

Risks and Opportunities Identification Matrix in Relation to Climate Change



		Major Risks and Opportunities Identification Matrix in Relation to Climate Change	Potential financial impact
Risks	Transitional risks	**Reputation risks** With the transition to a low-carbon economy, stakeholders expect the Company to take proactive management actions in response to climate change and improve the transparency of information disclosure. Failure of the Company to respond properly to the appeals of these stakeholders will pose an impact on the Company's reputation.	• Increased finance costs
		Policy and legal risks As a production and processing enterprise, new policies and regulations governing the Company may be gradually introduced. The impact of the Company on the environment in its production process shall comply with the requirements of laws and regulations.	• Increased credit risk • Increased product development costs
		Market risks Customer behaviour will change along with climate change. The demand for eco-friendly products has been growing. Failure of the Company to provide ecofriendly products with a smaller carbon footprint may subject the Company to a decrease in demand for products and services.	• Decreased operating income
		Technology risks The Company is required to invest more capital to purchase low-carbon emission equipment, leading to an increase in operating costs relating to technology-based production.	• Increased operating costs • Increased operating investment
	Physical risks	**Acute physical risks** When the Company encounters extreme weather, such as typhoons and heavy rains, the water and electricity supply may be interrupted due to the weather, resulting in production interruptions and economic losses.	• Increased operating costs • Decreased operating income
		Chronic physical risks The persistently high temperature caused by climate change may lead to a sharp increase in the Company's electricity consumption, thus increasing operating costs and carbon emissions.	• Increased operating costs

	Major Risks and Opportunities Identification Matrix in Relation to Climate Change	Potential financial impact
Opportunities	**Efficiency of resource utilization** Improving the efficiency of resource utilization, including the use of energy and water resources, may help the Company reduce its costs incurred in the course of operations.	• Decreased operating costs
	Energy source Increasing the use of low-emission energy/clean energy in the course of operations is constructive to reducing the risk associated with the increase in future energy price.	• Decreased operating costs
	Products and services With the transition to a low-carbon economy, changes in consumers may lead to increased market demand for energy-saving and environmentally-friendly products, such as new energy vehicles. Certain new energy products fall in the development directions of the Company's existing or prospective customers. The increase in customer demand will bring more orders, thus creating headroom for the growth of the Company's operating income.	• Increased operating income due to the increase in product needs
	Adaptability The Company actively participates in industry exchanges to develop an understanding of the industry dynamics of green products so as to better manage climate change-related risks and capitalize on the arising opportunities.	• Increased operating income

Countermeasures of Climate Change

Based on the results of identifying the major risks and opportunities of climate change, the Company regards climate change mitigation and adaptation as one of the work priorities of all relevant business units and its safety and environmental protection department, and identifies and manages climate change risks with reference to the TCFD framework, as well as communicates with stakeholders through ESG reports and other channels in respect of climate change as a key issue. In addition, the Company has formulated the Natural Disaster Accident Emergency Plan, and regularly carried out emergency drills and training regarding natural disaster accidents.

At the same time, the Company has actively carried out a number of technological transformation and energy-saving projects to improve the efficiency of resource use; gradually phased out high energy-consuming equipment and promoted the use of clean energy such as solar energy; strengthened technological innovation, and explored the production of low-carbon products; promoted to build a green factory, and practiced green operation in the production stage to further reduce its own carbon emissions; paid attention to industry trends, strengthened industry exchanges, and enhanced the Company's ability to respond to climate change risks.

Performance and Goals

In 2020, the Company set a greenhouse gas emission reduction target of 50% reduction in greenhouse gas emissions per unit product (tCO_2 equivalent/tonne product) by 2025 as compared to 2018. In 2021, the Company's greenhouse gas emissions per unit product (tCO_2 equivalent/tonne product) decreased by approximately 37% as compared to 2018, which means it has completed 74% of the goal.

3. SOCIETY:CONTRIBUTION TO A HARMONIOUS SOCIETY

3.1 Quality Products and Services

Product quality control

Established in 1985, Xingye Alloy Materials Group Limited is a China-based Hong Kong investment holding company principally engaged in copper product business. For more than 30 years, Xingye Alloy has been focusing on the symbiosis between human beings and nature with the operation philosophy of "employee-pleased, customer-impressed, shareholder-satisfied and society-recognized", hoping to enhance the value of individuals, enterprises and industries while carrying out different types of high-precision copper plates and strips production and sales operations.

The Company carries out the production in strict compliance with the requirements under national standards, and strictly controls the production process and guarantee product quality according to our complete quality management system and indicators. The Company focuses on four key aspects: project development, technical level, quality control and quality inspection, and takes improvement measures to improve product quality respectively.

Project development

- Complied with QESP-02-B2 project development control procedures;
- The process of project development process is refined, including the transfer process of each matter, responsible persons, time points, project evaluation requirements, etc., which is more conducive to guiding practical operations.

Technical level

- Development application to promote new product: 6 of the 7 project promotion targets for 2021 were achieved, and 1 project was not reached for the time being due to the impact of equipment;
- Document standardization work: complete the standardization of process documents; assist the production workshop to complete the preparation/revision of work instructions.

Quality control

- The process of raw materials and spare parts has been improved, and the effective implementation of the system has been strengthened.
- Enhanced disciplinary checks on the production process and implemented documentation requirements.
- Finished product inspection updates the special management mode of key customers, such as frequency, ways and means.

Quality inspection

- Laboratory added Vickers hardness tester, spectral analyzer and tensile testing machine which has not yet been added due to the impact of the epidemic.
- Improved detection accuracy.
- We have confirmed the discrepancy of testing results with customers and reduced the complaints in this area.

In 2021, the Company updated a total of more than 300 various quality control guidance documents, such as "Technical Standards", "Inspection Standards", "Work Instructions" and "Control Regulations", to refine the product control process. Our products have passed ISO9001 "Quality Management System Certification", "IATF16949 – Automotive Copper Strip Product Certification", "Recycling System Certification" and "Dun & Bradstreet Registered Certification Enterprise" and other authoritative certifications.

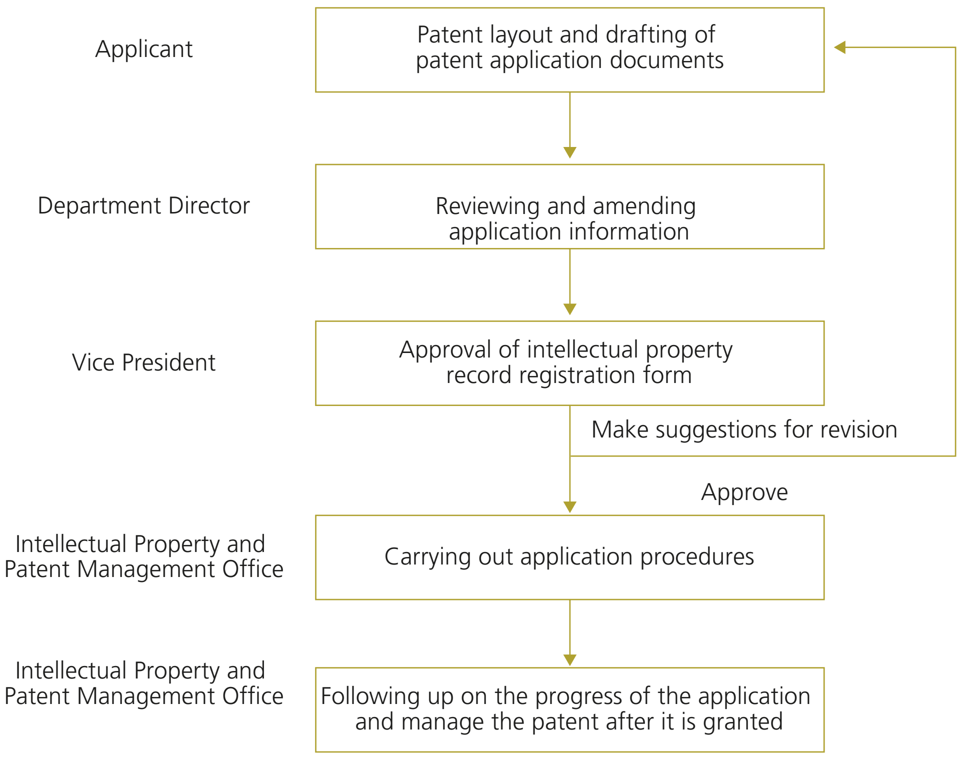
Amendments to 2021 product quality control documents	
1)	Improve the quality target management system and revise the quality target setting process
	Project Development and Control Procedures – refine design and development requirements.
	Production Control Procedures and *Product Monitoring and Measurement Control Procedures* – increase process control requirements.
	Quality Target Management System – focus on quality target management, closer to the actual operation.
	Technical Change Management System – refine technical change review and verification requirements.
	Project Exception Management System – refine the specific operational requirements and processes for different types of exceptions.
2)	Update procurement resource control procedures to separate raw materials from supplies
	Document Control Procedures, Raw Material Procurement Control Procedures, Material Procurement Control Procedures, Equipment Management Procedures, Monitoring and Measuring Resource Management
3)	Non-conforming product control procedures
	Non-conforming product control procedures – control of non-conforming product.
	Non-conforming Event Control Procedures – add new specific control measures.
	Control Procedures for Corrective and Preventive Measures – add a new requirement of drawing inferences and validation time frame requirements.
	The Continuous Improvement of Management Process – identify product improvement opportunities and refine processes.

In order to further improve product quality and increase the product yield, the Company has set up a quality control team to clarify the special quality control path for each product and to improve the product yield by continuously optimizing the process and improving the skills of personnel. In 2021, the Company achieved a comprehensive genuine product rate of 61.6% or more, and achieved the goal of reducing the return rate to less than 0.88%.

Intellectual property management

Protecting intellectual property is the armor that protects innovation. In 2021, the Company established the Patent Management System and set up the Intellectual Property and Patent Management Office to regulate the management, protection and application of the Company's intellectual property rights, promote the technological innovation and build its own intellectual property system.

Patent Application Workflow



2021 Intellectual Property Highlights
Driven by the concept of technological innovation, the Company obtained 3 granted invention patents:
(1) A method for semi continuous casting of large-size slab copper-magnesium alloy;
(2) A stress relaxation measurement device for copper strip;
(3) A corrosion-resistant copper alloy for electrical connectors and its preparation method.

Customer Rights Protection

The Company is committed to providing customers with high-quality services. In order to protect customers' privacy and information security, the Company has established the *Customer or External Supplier Property Control Program* and *Integrity Management Program* to regulate the protection of customer information. For customers who are required to sign confidentiality agreements, we fully respect the privacy of customers and protect their legal rights. In addition, the Company has also formulated *the Customer Service Control Procedures, the Procedures for Handling Customer Complaints, Returns and Claims, the Processing Flow for Finished Products that have Quality Defect* and other institutional documents. It has also improved customer service work procedures to create a channel for customers to make inquiries, seek counseling before, during and after sales.

Customer Complaint Handling Procedures

A complaint being received by a business representative → Forwarding the email or filling in the Contact Form for Customer Feedback Handling → Being handled by the Customer Service Department → Being submitted to the Inspection Division of the Procurement Centre if the complaint involves a transportation quality issue → Being submitted to the Quality Control Division, the Process Technology Division and relevant business units if the complaint involves a poor quality issue → Customer complaint being resolved and replied

Division of Labor in the Customer Claims Handling Department

Business Department

- Review of customer complaints
- Confirm whether the complaint is established

Quality Control Department

- Follow-up on the effectiveness of customer complaint activities
- Communication of processing progress and improvement points in quality meetings

the settlement rate of customer complaints of the Company was 100%;

the rate of satisfaction of integrated customers of the Company was 96.4%;

the rate of satisfaction of automotive customers of the Company was 96.5%;

3.2 Supply Chain Management

Management of conflict minerals

At present, the Company has formed a product production line with more than 80 alloy designations in 9 series, such as green, yellow, purple, white, electronic, diversified, high copper and tin brass. As the production and operation activities of the Company involve electrolytic copper, brass scrap and other metals, as well as a small amount of tin and ingot use, the overall risk of raw materials can be controlled. The Company is committed to ensuring the compliance with the requirements of the Conflict Minerals Rule and encourages suppliers who use conflict minerals to obtain certification that they are not using conflict minerals in their smelters and refiners in accordance with relevant industry measures. In addition, the Statement on Conflict Minerals is published on the website of the Company, and the Conflict Minerals Policy Statement required of tin ingot suppliers is reflected in the terms of the contract.

As a responsible corporate, the Company is committed to not procuring and using conflict minerals that directly or indirectly finance armed groups in the Democratic Republic of the Congo and adjoining countries. Suppliers are also required to jointly comply with this commitment. In order to uphold this commitment, the Company, as far as possible, requires its suppliers to determine whether the products they supply contain conflict minerals by implementing and taking the necessary activities and measures. If contained, the supplier needs to inform the source of the conflict minerals. The measures of the Company follow the Due Diligence Guidelines for Responsible Supply Chains for Mining in Conflict-Affected and High-Risk Areas published by Organization for Economic Cooperation and Development (OECD), and it strives to improve internal procedures and systems in this regard.

Supplier Quality Management

In order to strengthen the quality management of suppliers, the Company has established a full range of supplier management and evaluation systems with the *Material Procurement Control Procedures* as the procurement principle. New suppliers can join the qualified suppliers list for normal cooperation only after passing the preliminary basic information investigation, technical standard confirmation, sample analysis, small batch trial and large batch trial procedures. For suppliers in the list of qualified suppliers, the Company will evaluate the monthly supply of all suppliers through the Monthly Supplier Performance Evaluation Form and the Annual Supplier Performance Evaluation Form, and issue the Supplier Audit Checklist to suppliers who need to implement self-assessment according to the Annual Supplier Audit Plan, and review, determine and re-evaluate the results based on the content filled by the suppliers.

Xingye Alloy requires suppliers of production, I and II spare parts to provide corresponding ROSH reports, MSDS reports and other related information. The Company signs *the Guarantee Letter for Environmental Protection and Hazardous Substances* with suppliers of materials for direct production based on meeting the *Environmental Protection and Hazardous Substance Management Regulations* of the Company.

Supplier Environmental Management

The Company integrates the concept of safety, green and environmental protection into the daily management of the supply chain. In order to standardize the overall business process of raw material procurement, operation and management mechanism, raw material inspection and management, optimize the cost of raw material procurement and usage, as well as to clarify the corresponding departments, authority and responsibility of each node of the overall business process and transfer vouchers, the Company has formulated *Raw Material Control Procedures* and *Raw Material Procurement Management Process* in raw material procurement. According to the above material procurement system, the procurement department of the Company gives priority to recycled metal materials and reused recyclable materials.

Xingye Alloy evaluates and reviews new suppliers and suppliers who have already started cooperation to improve the environmental protection capability of the suppliers. Xingye Alloy will assist the small and medium-sized suppliers that do not meet the environmental assessment requirements in improving their environmental protection capability.

3.3 Rights and Development of Employees

Employment and rights of employees

Employees are the most important resource for the existence and development of the Company. The Company strives to create conditions for the happiness of employees, to build a happy family for Xingye Alloy, to enrich the spiritual and material life of employees, so that they can work happily and live happily.

The Company strictly abides by laws and regulations such as the Labour Law of the People's Republic of China and the Law of the People's Republic of China on Employment Contracts. It adheres to fair employment, implements the principle of equal employment and equal pay for equal work for employees, ensures that employees would not be discriminated or treated unequal because of different ages, genders, regions, religions, marital status or disability, etc., and never employ child or forced labour.

The human resources department of the Company establishes and strictly enforces recruitment, promotion and termination procedures and implements relevant employee welfare policies. In 2021, as to the employment and protection of employees' legal rights and interests, the Company updated the *Recruitment Management System* and the *Resignation Management System* and revised the *Employee Safety and Health Protection System* and the *Promotion System* to better respect and protect the legal rights and interests of employees.

The Company has 1,391 employees. In order to improve the salary competitiveness and employee satisfaction, the Company increased the probationary salary of all front-line operation positions, tour operation, quality control, inspection and equipment positions in the first half of 2021, with an increase ratio of 11.5% to 12.5%.

Total number of employees	**1,391**
Ratio of male to female employees by gender	male:female = **4.92:1**
Labor contract signing rate	**100%**
Social insurance coverage	**100%**

The Company has developed several communication channels to smoothly communicate with employees and safeguard legal rights and benefits of employees. In addition to existing communication channels, such as general manager's mailbox, letterbox and symposium, the Company has established additional information collection channels such as union communication, employee satisfaction survey and WeChat platform. In 2021, the Company received rationalized suggestions related to immediate rights and interests of employees, including increasing greenery in the office, increasing water purification and boiling devices in the technical center, changing shuttle bus routes, installing fiber optics in dormitories, convenient recharging of meal cards, installing Webcams in parking areas, and increasing the breakfast quantity, and all of them were put into practice, effectively enhancing employees' happiness.

[Colleagues Bar] Official WeChat Enterprise Platform – Convenient communication module

The WeChat enterprise platform has developed the "Colleague Bar" function module to provide a platform for employees to easily publish the problems they see and consider. By regularly tracking the information on the platform, the General Manager Office will submit the suggestions that involve employees' interests and are beneficial to the development of the Company to the relevant departments for discussion, and reply to the questioner as soon as possible. During the year, employees are most concerned about food, housing and transportation as well as the follow-up of production support facilities. The General Manager Office, together with the human resources, property, equipment and production departments, discusses and takes appropriate improvement measure and achieves sound results. Currently, "Colleagues Bar" has become the most direct channel for the Company to listen to the voices of employees due to its convenient operation and access.

As to employee caring, the Company pays attention to the specific needs of different employees and provides benefits accordingly. During the year, the Company carried out employee caring activities in disaster subsidies, difficult employee caring and daily condolences fields. The Company provided financial assistance to Henan employees who were affected by the rare rainstorm in the summer of 2021; set up a mutual fund to help employees in difficulty; and focuses on the needs of employees in the special context of the COVID-19.

Disaster Subsidies	Difficult Employee Caring	Daily Condolences
• In the summer of 2021, affected by a rare rainstorm, serious flooding in Henan Province caused significant economic and property losses. The Company gave subsidies of RMB1,000 per person to the affected Henan employees at the first time, totaling RMB42,000. • The Company paid respect to deceased employees or their deceased family members, with condolence money (including condolence goods) of RMB29,680.	• The Company set up a mutual fund to help employees in difficulty • The Company launched a mutual fund to help 16 employees in difficulty with a total subsidy of RMB19,400. • The mutual fund helped 63 people with a total subsidy of RMB97,809.9. • In 2021, the Company helped seven employees' children to attend school.	• Medical workers were invited to conduct free nucleic acid tests for returning employees, serving over 200 people in total. • Free haircut for workers left behind during the Spring Festival, serving a total of 18 people. • Increase family visit leave for employees affected by the epidemic who have not returned home to facilitate their returning home. • During the factory celebration, the Company extended regards to 18 retired old cadres and awarded 57 old employees with 30 years of working years honor certificate of excellence and a customized gold medal worth RMB5,000.

Employee health and safety

As to employee health and safety, the Company complies with *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and *the Regulations on Prevention and Control of Occupational Diseases of Zhejiang Province*. In 2021, the Company revised the requirements such as *Standard for Issuing Labor Protective Equipment*, *Employee Medical Examination System* and *Occupational Health Management System* to ensure employees' health in all aspects. Given the spread of COVID-19, the Company set up a leading group for prevention and control. The prevention and control office and the leading group established by the chairman of the board in conjunction with the senior and middle management of the Company formulated an *Epidemic Prevention Plan* to refine the management of the public areas of the Company after the resumption of work and production, as well as to raise employees' awareness of health and epidemic prevention through the publicity of epidemic prevention knowledge.

Although COVID-19 is effectively controlled domestically, the Company implements regular epidemic control in order to minimize the impact of sporadic outbreaks on the health and safety of employees. The Company follows up on the requirements of the local government on the prevention and control of COVID-19, updates the epidemic prevention policy and strictly follows it; and strengthens the control of personnel access, and carries out the necessary processes such as registration, body temperature measurement and code checking to prevent unknown risks.

2021 Health and Safety Specific Practices
Focus on workplace safety: Strengthen the management of staff canteens and dormitories, and enhance the disinfection for public areas.
Reinforce personnel safety management: Refine the records of visitors; volunteers at the gate to measure body temperature, distribute masks and register information.
Enhance safety and health awareness: Strengthen the publicity of epidemic prevention knowledge and provide guidance for epidemic prevention work.

The Company has established a leading group for safety production, environmental protection and occupational health to supervise the occupational health situation and safety production of copper alloy business. The leading group has developed an occupational health and safety production management system to strengthen the management of the elements involved in occupational health and safety, regularly conduct internal audits, inspections and safety hazard checks, and improve the safety awareness of employees through training. In 2021, the Company had no work-related deaths.

Safety management and training practices for operators of special equipment (travelling cranes)

examination	• Promoting the work system that special equipment (travelling crane) operators must obtain work license, and the operator must pass theoretical and practical exams. • In 2021, the Company completed the internal certification exams for a total of 650 travelling crane operators.
Environmental and occupational training	• Conduct induction training according to the annual work plan. • In 2021, the Company organized 25 training sessions and trained more than 860 employees. • The Company invited government departments and experts from third-party organizations to conduct training for employees.
Safety exercise	• In 2021, the Company conducted 8 emergency drills, covering 212 people. • The drill covers fire evacuation, hazardous waste leakage, hazardous chemical leakage, special operation rescue, etc. • Through the emergency drill, the Company identified the problems in the emergency plan and improved the plan. • Enhancing the familiarity of the person participating in the emergency drill with emergency plans and improving their emergency response capabilities.
Knowledge Competition	• Relying on the national production safety month in June, the Company organized the "Ankang" safety knowledge competition to promote the construction of safety culture and improve the safety awareness and quality of our employees.

In 2021, the Company carried out a total of 11 safety, environmental and vocational special inspections for occupational health and safety production, covering the safety inspection of the whole plant before holidays, potential safety hazard inspection of power distribution room, special inspection of flammable and explosive materials, inspection of hand tools and gas welding, electricity safety, fire safety, summer heat and typhoon prevention, special equipment inspection, etc. Due to the special nature of business, the Company uses and stores a large amount of hazardous chemicals. The Company conducts monthly standing book and on-site supervision and inspection of the hazardous chemical storage department to ensure that the use and storage of chemicals meet the requirements of the public security department.

Training and Development of Employees

The Company attaches great importance to employee training and development, and has formulated a systematic employee training system and promotion process. Through the accumulation, dissemination, application and innovation of knowledge, experience, and ability, the Company improves their professional skills and professional quality to adapt to the needs of the Company's business development and promote their own growth and development.

In order to better assist the development of employees, in 2021, the Company revised the Training Management System, the Internal Training Management System and Educational Management System for Academic (Degree) Improvement, clarifying the rights and obligations of the Company's management, human resources and other departments and employees in the construction of the training system and the promotion of training work.

Training Management System

- Purpose: To optimize the process and management of training planning, implementation, effect evaluation, and continuous improvement.
- Standardize the training points such as pre-job training, on-the-job training, job-transfer training, post-job training, and factory-based training for outsourced workers for new employees.

Internal Training Management System

- Purpose: To carry out training, realize knowledge sharing within the Company, and give full play to the role of internal lecturers.
- Clarify the qualifications and responsibilities of internal lecturers, optimize and adjust internal lecturer levels and promotion methods, selection procedures, allowance distribution, lecturer assessment, lecturer file management, etc.

Educational Management System for Academic (Degree) Improvement

- Purpose: To speed up the training of applied talents, to standardize the education of on-the-job academic (degree) improvement, and to improve the overall quality of on-the-job employees.
- Optimize and adjust the content of the application, review and expense reimbursement of in-service personnel's academic (degree) improvement education.

In order to improve the skill level of production operators and strengthen the communication between new and existing employees, the Company continues to carry out the Tutor system for them, and achieved notable results in 2021. The survey results showed that through the empowerment of the Tutor system, the turnover rate of employees during the probationary period decreased by 3.31% as compared with the same period last year.

[Tutor] Tutor System for Production Operators

Since January 2021, the Company achieved 219 pairs of mentors and apprentices. During the "Tutor" activity, the Company collects and supervises the development of the department's teaching plan, and investigates the dynamics of the employee's trial process through daily communication and questionnaires. From the daily tracking results, the "Tutor" activity received unanimous support and praise from mentors and apprentices. Employees learn quickly and get into work fast, which allowed an increasing number of new employees to become fulltime workers. The mentors also generally supported the Company to carry out tutor activities and were willing to serve as tutors.

3.4 BUILDING A BETTER COMMUNITY

Social Welfare Activities

As an enterprise with a high sense of social responsibility, the Company is concerned about society. In 2021, it invested in public welfare in sports, culture and community development, and actively participated in community volunteer service activities. In terms of sports, the Company sponsored the "Xingye Alloy" Cup Basketball Competition; in terms of culture, it was designated to conduct poverty alleviation in Liangshan, Sichuan, and donated 15 sets of school uniforms to students in need, and materials with a value of more than RMB80,000. The Company pays attention to community construction. It invested a total of RMB150,000 for visiting the elderly in Xinzhou Village on the on the Chung Yeung Festival and organized and participated in various volunteer activities including "Epidemic Prevention Volunteer Activities in Hangzhou Bay New Area ", the Federation of Trade Unions " Warm Way Home", "Dining for Little Migratory Birds". Employees conducted volunteer services for more than 500 hours.

4. GOVERNANCE: QUALITY IMPROVEMENT, EFFICIENCY ENHANCEMENT AND STEADY OPERATION

4.1 Risk Management

The Company keeps improving its risk management system, and actively launches related work to accurately identify and strictly control various potential risks that may have an impact on strategic development, and to enhance its overall capability of managing risks. In 2021, the Company identified 59 major risk points, including project development process, product production process, delivery management, business planning, internal audit, environmental safety planning, procurement control, equipment management and human resource management. All points were designated to the management department, with specified countermeasures.

The Company formulates its Internal Audit System to ensure that the financial risks, operational risks and other risks that the Company is exposed to remain within a controllable range. Through the implementation of audit projects and internal control construction, the Company has accomplished the goals of preventing business risks, standardizing management processes and improving management efficiency by pre-audit and in-process audit from the perspectives of audit management, internal control supervision, risk early warning and process review.

Internal Audit Procedures of the Company

4.2 Compliance Management

Compliance Operation

Compliance operations are the basis for the Company to fulfill its social responsibilities. During the reporting period, the Company did not violate any laws and regulations related to product quality, customer service, intellectual property protection, environmental protection, and employee employment.

Laws and regulations complied with for compliant operations in 2021	
Product quality	The Product Quality Law of the People's Republic of China, etc.
Customer service	Law of the People's Republic of China on the Protection of Consumer Rights and Interests, etc.
Protection of intellectual property rights	The Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, etc.
Environmental protection	The Law of the People's Republic of China on Environmental Protection, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution
	the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste
	the Law of the People's Republic of China on the Prevention and Control of Water Pollution
	the Cleaner Production Promotion Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, etc.
Employment and labour	The Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China
	the Social Insurance Law, the Labour Dispute Mediation and the Arbitration Law, the Trade Union Law
	the Law of the People's Republic of China on the Protection of Women's Rights and Interests, Protection Measures of Female Staff and Workers of Zhejiang Province, etc.
Occupational health and safety	The Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Zhejiang Provincial Regulations on the Prevention and Control of Occupational Diseases, etc.
Commercial morality	The Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China
	the Interim Provisions on the Prohibition of Commercial Bribery, China Internal Auditing Standards
	Basic Rules for Internal Control of Enterprises, etc.

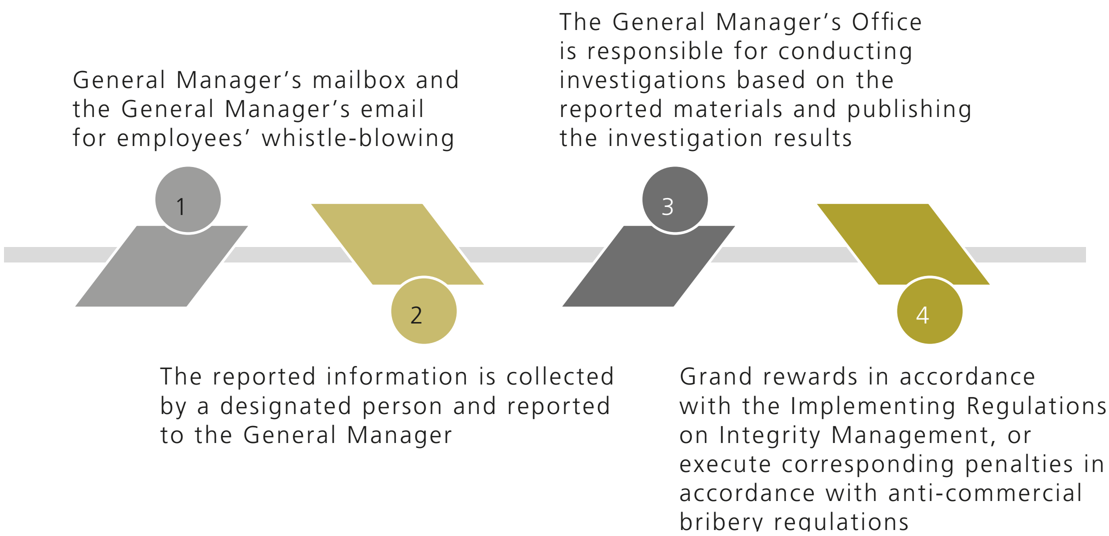
Anti-corruption

Anti-corruption is the focus of the Company's compliance management. Adhering to the principle of "zero tolerance" for corruption, the Company has formulated Integrity Management Program, Anti-Corruption System, Gift Management System, Sunshine Procurement System and other management protocols to enforce pre-event prevention and post-event supervision on anti-corruption management with strict standards, and regularly conduct anti-corruption training for all employees to cultivate employees' anti-corruption awareness.

Anti-corruption in the procurement process is the main task of the Company's anti-corruption work. The Company has sighed the Undertaking of Integrity and Self-Discipline for Employees with all employees of the procurement department of the Company, and the Sunshine Agreement with suppliers to convey the anti-corruption and anti-bribery principles to employees and suppliers.

In 2021, the Company revised the Provisions for the Implementation of Integrity Management to encourage employees to report violations of integrity standards. The whistleblower may send any violations to the general manager's email (GM@cn-shine.com), mailbox, the general manager's office, and the trade union office by mail or in writing. The Company strictly implements the whistleblower protection system, keeps the information related to the whistleblowers, letters, materials, clues, evidence and other information confidential, and strictly prohibits retaliation against whistleblowers so as to ensure the privacy of the whistle-blower. During the reporting period, there was no act in violation of any laws or regulations, or any corruption lawsuits against the Company or its employees.

Whistle-blowing and Handling Process for Anti-corruption



5. ESG KEY QUANTITATIVE PERFORMANCE TABLE

Social Performance

Number of Employees

Indicators		Unit	2019	2020	2021
Total employees		person	1,334	1,336	**1,391**
By gender	Male	person	1,090	1,107	**1,156**
	Female	person	244	229	**235**
By employment type	Labor contract system	person	1,288	1,293	**1,349**
	Other employment forms[1]	person	46	43	**42**
By age group	>50 years old	person	199	211	**227**
	30 to 50 years old	person	799	788	**825**
	<30 years old	person	336	337	**339**
By region	Mainland employees	person	1,326	1,329	**1,384**
	Foreign employees[2]	person	8	7	**7**

Notes:

1 Other employment forms include employees rehired after retirement and part-time employees.

2 Statistics on the number of overseas employees refer to the number of employees whose work locations are overseas.

Employment and Labor Practices

Indicators		Unit	2019	2020	2021
Employee turnover rate[1]		%	23.10	27.70	**22.07**
By gender	Female	%	21.86	24.76	**12.50**
	Male	%	23.35	28.29	**24.00**
By age group	>50 years old	%	10.19	6.34	**9.01**
	30 to 50 years old	%	21.20	23.06	**16.57**
	<30 years old	%	33.12	53.07	**43.95**
By region	Mainland employees	%	23.10	27.70	**22.07**
	Foreign employees	%	0	0	**0**
Number of labor dispute events		dispute	0	0	**0**
Funds for all kinds of subsidies, free shuttle bus and dormitory accommodation		RMB10,000	278	282	**329**
Number persons who benefit from all kinds of subsidies, free shuttle bus and dormitory accommodation		person	2,612	2,663	**2,951**
Employee satisfaction survey result		point	77.0	78.0	**80.0**
Number of employees in posts exposed to occupational disease risk		person	431	474	**546**

Indicators	Unit	2019	2020	2021
Number of employees suffering occupational diseases	person	0	0	**0**
Incidence of occupational disease	%	0	0	**0**
Percentage of employees receiving occupational physical examination among those who are engaged in work in which occupational health risk may exist	%	100	100	**100**
Number of work-related fatalities	person	0	0	**0**
Ratio of work-related fatalities	%	0	0	**0**
Lost days due to work injury	day	740	681	**560**
Total input for safety operation	RMB10,000	752	670	**550**
Attendance at safe production training	time	2,300	2,350	**2,280**
Number of safe production trainings	time	96	108	**91**
Number of emergency drill activities	time	7	7	**8**
Number of employees participating in emergency drill activities	time	245	175	**212**
Number of events on violation of safety laws and regulations	time	0	0	**0**
Number of major accidents	accident	0	0	**0**
Percentage of employees trained	%	100	100	**100**
Percentage of male employees trained	%	100	100	**100**
Percentage of female employees trained	%	100	100	**100**
Percentage of junior employees trained	%	100	100	**100**
Percentage of middle level employees trained	%	100	100	**100**
Percentage of senior management employees trained	%	100	100	**100**
Average training hours per employee	hour	26.8	26.3	**26.3**
Average training hours per male employee	hour	26.4	25.9	**25.95**
Average training hours per female employee	hour	28.6	27.8	**28.24**
Average training hours per junior employee training	hour	25.6	24.47	**24.53**
Average training hours per middle level employee	hour	33.0	40.28	**40.42**
Average training hours per senior management employee	hour	37.6	37.49	**37.28**

Note:

1 The employee turnover rate is calculated by the following formula: Employee turnover rate

$$= \frac{\text{Total number of retired and separated employees}}{\text{(Total number of employees at the period end + Total number of retired and separated employees)}} \times 100\%.$$

Supply Chain Management Performance

Indicators		Unit	2019	2020	2021
Total number of suppliers		one	806	893	**801**
By region	Local suppliers	one	800	880	**792**
	Overseas suppliers	one	6	13	**9**
Number of visits		time	20	49	**37**
Number of suppliers assessed from the environment, labour and moral perspectives based on the Company's supplier assessment system		one	20	49	**37**
Compliance training hours for supplier		hour	8	9	**8**
Number of persons participating in compliance training from supplier		person	16	66	**16**

Product Responsibility Performance

Indicators	Unit	2019	2020	2021
Percentage of products that must be recalled for safety and health reasons in the total products that have been sold or delivered	%	0	0	**0**
Number of customer complaints due to product quality or service	time	1,246	1,140	**1,129**
Complaint handling rate[1]	%	100	100	**100**
Fund input for technology innovation and R&D	RMB10,000	12,883	12,910	**14,243**
National awards and subsidies for technology innovation and R&D	RMB10,000	1,093.8	272.2	**962**
Number of patent applications	piece	9	7	**6**
Number of patents granted	piece	3	8	**3**

Note:

1 The complaint handling rate was calculated using the following formula: Complaint handling rate $= \frac{\text{Number of handled complaints}}{\text{Total number of complaints received}} \times 100\%$.

Anti-corruption Performance

Indicators	**Unit**	2019	2020	**2021**
Number of corruption lawsuits brought against the Company and its employees	time	0	0	**0**
Number of reports of corruption from employees	time	0	0	**0**
Number of employees participating in anti-corruption related training	person	–	1,258	**1,420**
Anti-corruption training hours for employees	hour	–	2,500	**2,850**
Number of senior management members participating in anti-corruption training	person	–	23	**24**
Number of middle management members participating in anti-corruption training	person	–	75	**87**
Number of grassroots employees participating in anti-corruption training	person	–	1,157	**1,271**
Attendance of anti-corruption training of the Board	time	–	3	**3**
Anti-corruption training hours of the Board	hour	–	6	**6**

Community Investment Performance

Indicators	**Unit**	2019	2020	**2021**
Total input in public services	RMB10,000	19.94	11.78	**26.00**
Of which: Input in charitable donations	RMB10,000	10.54	3.78	**4.00**
Number of employees participating in volunteer activities	time	150	218	**86**
Total hours of employees participating in volunteer activities	hour	2,395	3,570	**586**

Environmental Performance

Indicators[1]		Unit	2019	2020	2021
Power consumption		MWh	185,680	164,160	**217,230**
Of which, total solar power		MWh	6,235	6,107	**6,563**
Natural gas consumption		m^3	9,272,825	12,995,668	**14,213,240**
Water consumption		m^3	345,076	443,230	**450,000**
Circulating water consumption		m^3	327,923	392,372	**395,483**
Reuse ratio of water resources		%	95	89	**91**
Power consumption per unit product		kWh/tonne product	1,651.00	1,522.00	**1,244.20**
Natural gas consumption per unit product		m^3/tonne product	86	93	**91**
Comprehensive energy consumption per unit product (electricity + natural gas)		kWh/tonne product	2,500.56	2,440.71	**2,224.80**
Water consumption per unit product		m^3/tonne product	3	3	**3**
Diesel and gasoline consumption of shuttle bus and vehicles for employees	Diesel	liter	36,363	102,072	**40,000**
	Gasoline	liter	37,352	–	**30,108**
Total packaging materials used for shipment of finished product		tonne	2,359	2,407	**3,594**
Use of packaging materials (wood) for finished products		tonne	1,720	1,524	**1,840**
Use of packaging materials (corrugating medium) for finished products		tonne	518	468	**505**
Use of packaging materials used for shipment of finished products per unit product		kg/tonne product	18.51	18.33	**22.91**
Industrial waste water discharge[2]		m^3	257,698	176,774	**54,517**
Industrial waste water discharge per unit product[2]		m^3/tonne product	2.02	1.35	**0.35**
Production of hazardous wastes		tonne	1,247	1,538	**1,438**
Production of hazardous wastes intensity		kg/tonne product	9.79	11.71	**9.17**
Production of non-hazardous wastes		tonne	4,613	3,513	**3,604**
Production of non-hazardous wastes intensity		kg/tonne product	36.20	26.76	**22.97**
Total emissions of greenhouse gas (Scope 1)[3]		tCO_2 e	20,276.32	28,416.78	**31,439.45**
Total emission of greenhouse gas (Scope 2)[4]		tCO_2 e	149,398.13	162,685.29	**113,387.96**
Total emission of greenhouse gas		tCO_2 e	169,674.45	191,102.07	**144,827.41**
Emission intensity of greenhouse gases		tCO_2 e/tonne product	1.33	1.46	**0.92**
Number of fines imposed due to violation acts in discharge of pollutants		time	0	0	**0**

Notes:

1 The calculation method of unit product index is total electricity consumption, steam consumption and water consumption per tonne product; the calculation method of density index is total consumption/generation/emission in the year divided by total tonnes of product in the year.

2 The amounts of industrial waste water discharge for 2019 were data estimated by the Company. The Company engaged new flow meters to monitor the discharge of industrial waste water in 2020, and such disclosed figure is the accurate data based on the monitoring conditions. In 2021, the Company renovated the degreasing liquid tank of the pickling line to reduce the discharge of waste degreasing liquid. Therefore, the discharge volume and discharge intensity of industrial wastewater dropped significantly as compared with 2020.

3 Scope 1 emission of greenhouse gas comes from the greenhouse gas emission generated by the natural gas, gasoline and diesel consumption of the Company. The emission coefficients related to natural gas, gasoline and diesel refer to the coefficients in How to Prepare an Environmental, Social and Governance Report – Appendix 2: Reporting Guidance on Environmental KPIs published by the Hong Kong Stock Exchange (updated in May 2021).

4 Scope 2 emission of greenhouse gas comes from the greenhouse gas emission generated by purchased power other than solar power. This indicator is calculated based on power consumption data and grid emission coefficient. The emission coefficient in 2019 and 2020 adopted the grid emission factor of 0.7035 kg CO_2/kWh in East China (Data source: Development and Reform Commission of the People's Republic of China (2012)). In 2021, the emission coefficient adopted the national grid average emission factor of 0.5810 kg CO_2/kWh (Data source: Ministry of Ecology and Environment of the People's Republic of China (2022)).

6. INDEX TABLE OF GUIDELINES OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT OF THE HONG KONG STOCK EXCHANGE

Part B: Mandatory Disclosure Requirements

Mandatory Disclosure	Sections
Governance structure	The Board's Statement on ESG management
Reporting principles	About this report
Reporting scope	About this report

Part C: "Comply or Explain" Provisions

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7. ABOUT REPORT PREPARATION

Report Scope

Scope of organization: The report covers Xingye Alloy Materials Group Limited, excluding the gaming business segment. The full names and abbreviations of major companies as referred to in this report are as follows:

Full name	Abbreviation
Xingye Alloy Materials Group Limited	Xingye Alloy, or the Company

Scope of time: from 1 January 2021 to 31 December 2021. Part of the presentation and data are properly traced back to the previous years in order to ensure the clarity and comparability of the information.

Note: As compared with 2020, the scope of the Company's ESG report in 2021 does not include the gaming business segment. Given that the revenue share of the gaming business segment is lower than 1%, the Company has decided to adjust the reporting scope to Xingye Alloy Materials Group Limited since 2021.

Report Release

This report is published on an annual basis.

Reporting Basis

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") (the edition with effective from 1 January 2022) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), and by referring to the Global Reporting Initiative (GRI) Sustainable Development Report Standards (GRI Standards).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Principles

The report complies with the reporting principles set forth in the ESG Guide published by the Hong Kong Stock Exchange, including:

- **Principle of materiality**

  The threshold at which ESG issues determined by the Board are sufficiently important to investors and other stakeholders that they should be reported.

- **Principle of quantitative**

  Key performance indicators in respect of historical data need to be measurable. The issuers should set targets (which can be actual numerical figures or directional, forward-looking statements) to reduce a particular impact.

- **Principle of balance**

  This report provides an unbiased picture of the issuer's performance, and avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the report reader.

- **Principle of consistency**

  The issuers should use consistent methodologies to allow for meaningful comparisons of ESG data over time.

Description of Data

Unless otherwise specifically provided in this report, the data and cases in this report are the actual data on the operation of Xingye Alloy Materials Group Limited.

The unit of financial data in this report is Renminbi. If there is any inconsistency between the financial data in this report and the Company's annual financial report, the latter shall prevail. During the reporting period, there were no confirmed non-compliance incidents in relation to environmental protection of Xingye Alloy Materials Group Limited and its subsidiaries as set forth in the consolidated financial statements of the annual report, based on the data retrieval through the environmental databases of Institute of Public and Environmental Affairs (IPE) and Shanghai Qingyue (上海青悅環保).

Publish of the Report and Methods of Access

This report is published in both Chinese and English. In case of any discrepancies between the two versions, the Chinese version shall prevail.

The Chinese and English versions are available for download at Xingye Alloy's official website (http://www.xingyealloy.com/). Should you have any questions or suggestions for the report, you are welcome to call us at +86 0574-63073311, or email us at: ir@cn-shine.com.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

A review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results, important events affecting the Company since the end of the financial year and financial position as well as the outlook of the Company's business are provided in the "Chairman's Statement" and "Management Discussion & Analysis" on page 4 and pages 5 to 11 of this annual report. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report particularly in the section of "Management Discussion & Analysis" on page 10 of this annual report. Environmental policies and performance, compliance with the relevant laws, rules and regulations as well as relationships with employees, customers and suppliers are provided in this report and "Environmental, Social and Governance Report" from pages 25 to 72 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the accompanying financial statements on page 97.

The Board does not recommend the payment of any dividend for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company (the "**Shareholders**") who are entitled to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 14 June 2022 to 17 June 2022, 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 13 June 2022.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 187 to page 188.

REPORT OF THE DIRECTORS

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group as at 31 December 2021 are set out in note 23 to the financial statements.

SHARE CAPITAL AND RESERVES

Details of the movements in the share capital and reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

USE OF PLACING PROCEEDS

During the year ended 31 December 2021, the Group completed the placing of 85,000,000 new shares of the Company under the general mandate. The Directors considered that the Placing would allow the Company to raise capital for the Group for its construction of new workshops on the Yongxin* (甬新) G-203# land lot in Ningbo Hangzhou Bay New Zone, the PRC, the land use rights of which were acquired by the Group in 2019 (the "**Land**"), and for its general working capital. The net price per placing share was approximately HK$0.94. The closing price was HK$1.13 per share as quoted on the Stock Exchange on the date of the placing agreement. The Directors consider that the Placing represents an opportunity to raise additional funds for the Company while broadening the Shareholders and capital base of the Company. Further details of the Placing can be found throughout this annual report particularly in the section of "Management Discussion & Analysis" on page 11 of this annual report.

The net proceeds from the placing was approximately HKD79,968,000 after deduction of the placing commission and other related expenses. Details of which are set out as follows:

Item	**Utilised amount as at 31 December 2021**	**Unutilised amount as at 31 December 2021**	**Intended year of application**
Construction of new workshops	HKD53,000,000	HKD7,000,000	2022
General Working Capital	HKD19,968,000	–	NA

All the remaining proceeds under the Placing have been utilised in January 2022.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2021 calculated under the Companies Act of the Cayman Islands amounted to RMB807,171,000.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group has always paid great attention to and maintained a good working relationship with its upstream raw material suppliers, and has been providing quality professional and systemic customer services for its downstream customers. The aforementioned suppliers and customers are good working partners creating value for the Group. Details of key relationships with stakeholders, including employees, customers and suppliers, etc. are set out in the Environmental, Social and Governance Report of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the aggregate revenue from sales of goods attributable to the five largest customers and the largest customer of the Group accounted for approximately 12.7% and 2.9% of the Group's aggregate revenue from sales of goods respectively, while the aggregate purchases attributable to five largest suppliers and the largest supplier of the Group accounted for approximately 47.9% and 11.5% of the Group's aggregate purchases respectively.

At no time during the year have the Directors, their close associates or any Shareholder (whom to the knowledge of the Directors owns more than 5% of the Company's total issued shares) had any interests in such major customers or suppliers.

SHARE AWARD SCHEME

As announced by the Company on 18 April 2016, the Board resolved to adopt a share award scheme (the "**Share Award Scheme**") in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purpose of the Share Award Scheme is to permit the Company to grant awards to selected employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. The maximum number of shares that may be awarded under the Share Award Scheme ("**Award Shares**") during its term is limited to 20% of the total issued shares of the Company as at the adoption date of 18 April 2016 ("**Adoption Date**"). The maximum number of Awarded Shares that may be granted to any one selected employee shall not exceed 5% of the total issued shares of the Company as at the Adoption Date. Pursuant to the Share Award Scheme, shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Stock Exchange, by the trustee ("**Trustee**") at the cost of the Company and will be held by the Trustee on trust for selected employee(s) under the Share Award Scheme before vesting. The Share Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company.

As announced by the Company on 5 May 2016, the maximum number of new shares to be issued by the Company in respect of any financial year of the Company for satisfying the Awarded Shares granted under the Share Award Scheme will be limited to 2% (i.e. 16,222,319 shares) of the total issued shares of the Company as at Adoption Date. The maximum number of new shares to be issued by the Company in respect of any 12-month period for satisfying the Awarded Shares granted to any one selected employee under the Share Award Scheme will not exceed 1% (i.e. 8,111,159 shares) of the total issued shares of the Company as at the Adoption Date.

During the year ended 31 December 2021, no new shares were subscribed by the Trustee, and 7,754,000 shares were vested under the Share Award Scheme. Accordingly, since the Adoption Date and up to 31 December 2021, there were 5,686,000 shares held in trust under the Share Award Scheme.

As announced by the Company on 13 December 2018, the vesting dates of the Awarded Shares granted on 13 December 2017 in respect of tranches for 2018 and 2019 were postponed for one year to 13 December 2019 and 13 December 2020, respectively (the "**Postponed Vesting Dates**"). As announced by the Company on 26 November 2019, the Postponed Vesting Dates were further postponed for one year to 13 December 2020 and 13 December 2021, respectively. All the unvested Award Shares granted on 13 December 2017 were vested on 17 December 2021.

On 17 December 2021, the Board granted a total of 10,900,000 Award Shares (the "**December 2021 Award Shares**"), to 11 selected participants pursuant to the Share Award Scheme, among whom (i) 5 are unconnected grantees and (ii) 6 are connected grantees. All the December 2021 Award Shares were purchased by the Trustee from the open market to satisfy the awards to the selected participants. Half of the December 2021 Award Shares were vested on 17 December 2021, while the remaining December 2021 Award Shares will be vested in 2022.

Movement of the Share Award Scheme are set out in note 29(c) to the financial statements.

Unless otherwise defined in this section, the capitalized terms used in this section shall have the same meanings as those defined in the announcements made by the Company on 18 April 2016, 5 May 2016, 13 December 2018, 26 November 2019 and 17 December 2021 relating to the Share Award Scheme.

SHARE OPTION SCHEME

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

The principal terms of the Share Option Scheme are as follows:

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons (as defined hereinafter) for their contribution to, and continuing efforts to promote the interests of, our Company and to enable the Group to recruit and retain high-calibre employees.

Eligible person(s) include(s) (i) any directors (whether executive or non-executive, including any independent non-executive director) or employee (whether full time or part time) of any member of the Group; (ii) consultant, adviser, supplier or customer of any member of the Group; and (iii) any other group of classes of participants which the Board may, from time to time in its absolute discretion, consider appropriate on the basis of such participants' contribution or potential contribution to the development, growth or benefit of the Group or any member of it.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme shall not in aggregate exceed 10% of the total issued shares of the Company, which is equivalent to 81,111,595 shares as at the date of adoption of Share Option Scheme.

As at the date of this report, a total of 81,111,595 shares of the Company (representing approximately 9.02% of the issued shares of the Company as at the date of this report) may be issued upon exercise of all options which may be granted under the Share Option Scheme.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised after more than 10 years from the date of grant. A consideration of HKD1.00 is payable within 28 days on acceptance of an offer of the grant of options.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to an eligible person (other than those independent non-executive directors and a director who is a substantial shareholder) in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant. Any further grant of options in excess of this limit shall be subject to the approval of Shareholders at a general meeting. The total number of shares of the Company issued and which may be issued upon exercise of the options granted under the Share Option Scheme to eligible persons who is a director (being a substantial Shareholder) or an independent non-executive director, or any of their respective associates, in any 12-month period up to the date of grant shall not (i) exceed 0.1% of the shares of the Company in issue as at the date of grant; and (ii) having an aggregate value, based on the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on each of the relevant date(s) on which the grant(s) of such options is made to such eligible person, in excess of HKD5 million.

The subscription price of a share of the Company in respect of any particular option granted under the Share Option Scheme shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Subject to early termination by the Company at general meeting or by the Board of Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption, i.e. 27 May 2016. The remaining life of the Share Option Scheme is approximately 4 years.

No options had been granted, exercised, lapsed, cancelled or outstanding under the Share Option Scheme during the year.

DIRECTORS

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

Executive Directors

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

Independent Non-Executive Directors

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

Pursuant to Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. ZHU Wenjun and Dr. LOU Dong shall retire from their office by rotation at the forthcoming annual general meeting and, being eligible, offered themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence pursuant to Rule 3.13 of the Listing Rules, and considers that each of the independent non-executive Directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had entered into a service contract with the Company with effect from their respective date of appointment until terminated in accordance with the terms of the service contracts. Under the service contracts, either party may terminate such contract by giving to the other not less than three months' prior notice in writing.

Each of independent non-executive Directors of the Company had entered into an appointment letter with the Company for a term of 3 years until terminated by either the Company or independent non-executive Director by giving not less than two months prior notice in writing.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation) save as disclosed herein.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company, and the Stock Exchange pursuant to the Model Code were as follows:

Interest in Long Position in Shares of HKD0.10 each and Underlying Shares of the Company

Name of Directors	Capacity/Nature of Interest	Number of Shares held	Number of Underlying Shares held	Approximate percentage of shareholding *(Note 1)*
HU Changyuan	Founder of a discretionary trust/ other Interest	265,200,000 *(Note 2)*	–	29.48%
	Interest of a controlled corporation/ corporate interest	13,213,000 *(Note 3)*	–	1.47%
	Beneficial owner/personal Interest	2,000,000	1,500,000 *(Note 4)*	0.39%
HU Minglie	Beneficial owner/personal Interest	5,103,000	1,500,000 *(Note 4)*	0.73%
CHAI Chaoming	Beneficial owner/personal Interest	384,000	50,000 *(Note 4)*	0.05%
LU Hong	Beneficial owner/personal Interest	450,000	50,000 *(Note 4)*	0.06%
ZHU Wenjun	Beneficial owner/personal interest	1,000,000	500,000 *(Note 4)*	0.17%
LOU Dong	Beneficial owner/personal interest	250,000	50,000 *(Note 4)*	0.03%

Notes:

1. The percentages are calculated based on the total issued shares of 899,558,173 as at 31 December 2021.

2. These 265,200,000 shares were held by Luckie Strike Limited and Come Fortune International Limited which was wholly owned by Dynamic Empire Holdings Limited. The entire issued share capital of Dynamic Empire Holdings Limited was beneficially owned by the Hu Family Trust which was founded by Mr. HU Changyuan. Mr. HU was deemed to be interested in these shares by virtue of the SFO.

3. These 13,213,000 shares were held by Regency Success Limited, which was 100% controlled by Mr. HU Changyuan, Mr. HU was deemed to be interested in these shares by virtue of the SFO.

4. These underlying shares (unlisted and physically settled) held by Directors are award shares granted to the Directors under the Share Award Scheme on 17 December 2021. The first tranch was vested on 17 December 2021, and the rest will be vested on 17 December 2022. Details of the said grant are set out in the announcement of the Company dated 17 December 2021, and the movement of award shares is set out in note 29(c) to the financial statements.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company held or was deemed to hold any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (as defined in the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were required to be recorded in the register required to be kept pursuant to section 352 of the SFO, or is otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than disclosed in the section of "Share Option Scheme" above, at no time during the year was the Company, its parent company (if any), or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the following persons or corporations (other than the directors' interests disclosed in the section headed "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures") had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Number of Underlying Shares	Approximate percentage of shareholding *(Note 1)*
Luckie Strike Limited	Beneficial owner/Beneficial interest	110,000,000 (L)	–	12.23%
Come Fortune International Limited	Beneficial owner/Beneficial interest	155,200,000 (L)	–	17.25%
Dynamic Empire Holdings Limited *(Note 2)*	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	29.48%
Zedra Trust Company (Singapore) Limited *(Note 2)*	Trustee (other than a bare trustee)/Other Interest	265,200,000 (L)	–	29.48%
Zedra Malta Limited *(Note 3)*	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	29.48%
Zedra Holding SA *(Note 3)*	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	29.48%
Zedra SA *(Note 3)*	Interest of a controlled corporation/Corporate interest	265,200,000 (L)	–	29.48%
YU Yuesu *(Note 4)*	Interest of spouse/Family interest	280,413,000 (L)	1,500,000 (L)	31.34%
bostone Group Limited *(Note 5)*	Beneficial owner/Beneficial interest	164,812,000 (L)	–	18.32%
Xie Shicai *(Note 5)*	Interest of a controlled corporation/Corporate interest	198,043,000 (L)	–	22.02%
Ma Jiafeng *(Note 5)*	Interest of a controlled corporation/Corporate interest	198,043,000 (L)	–	22.02%

The letter "S" denotes a short position in the share

The letter "L" denotes a long position in the share

Notes:

1. The percentages are calculated based on the total issued shares of 899,558,173 as at 31 December 2021.

2. The shares were held by Luckie Strike Limited and Come Fortune International Limited which were wholly owned by Dynamic Empire Holdings Limited. The entire issued share capital of Dynamic Empire Holdings Limited was beneficially owned by the Hu Family Trust, the trustee of which was Zedra Trust Company (Singapore) Limited (formerly known as Barclays Wealth Trustees (Singapore) Limited). Dynamic Empire Holdings Limited was deemed to be interested in all the shares in which Luckie Strike Limited and Come Fortune International Limited are interested by virtue of the SFO. Zedra Trust Company (Singapore) Limited was deemed to be interested in all the shares in which Dynamic Empire Holdings Limited was interested by virtue of the SFO. The shares registered in the name of Luckie Strike Limited and Come Fortune International Limited were also disclosed as the interest of Mr. HU Changyuan in the section headed "Directors and chief executive's interests in shares, underlying shares and debentures" above.

3. Zedra SA through its 100% controlled corporations (including Zedra Holding SA, and Zedra Malta Limited), is interested in 265,200,000 shares which were held by Zedra Trust Company (Singapore) Limited (formerly known as Barclays Wealth Trustees (Singapore) Limited) as trustee. Zedra Trust Company (Singapore) Limited was wholly owned by Zedra SA. Each of Zedra SA, Zedra Holding SA and Zedra Malta Limited was deemed to be interested in all the shares in which Zedra Trust Company (Singapore) Limited was interested by virtue of the SFO.

4. Ms. YU Yuesu was deemed to be interested in these shares and underlying shares under the SFO by virtue of being the spouse of Mr. HU Changyuan. The underlying shares (unlisted and physically settled) represent the awarded shares granted to Mr. HU Changyuan under the Share Award Scheme.

5. As per the notifications filed by Ms. Ma Jiafeng ("**Ms. Ma**") and Mr. Xie Shicai ("**Mr. Xie**") respectively on 30 August 2021, these 198,043,000 shares comprises (i) 164,812,000 shares held by bostone Group Limited, which in turn beneficially owned by Ms. Ma as to 65.67% and by Mr. Xie as to 34.33% respectively; and (ii) 33,231,000 shares held by Hong Kong Nes International New Energy Limited, which in turn beneficially owned by Mr. Xie as to 34.93%. Both Ms. Ma and Mr. Xie are deemed to be interested in the above shares by virtue of the SFO. To the best knowledge of the Directors, Mr. Xie is the ultimate controlling shareholder of Ningbo Boway Alloy Materials Company Limited, a listed company in Shanghai Stock Exchange (Stock Code: 601137.SH). Ms. Ma is the spouse of Mr. Xie. Ningbo Boway Alloy Materials Company Limited manufactures and sells high-performance, high-precision, non-ferrous alloy bars, wires and plate-strips, and is a direct competitor of the Group's copper processing business.

Save as disclosed herein, as at 31 December 2021, so far as the Directors are aware, there were no other persons, other than the Directors and chief executive of the Company, who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to "Share Award Scheme" and "Share Option Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, subject to relevant laws, every Director shall be indemnified out of the assets of the Company against all losses and damages, etc. which he/she may sustain or incur in or about the execution of his/her duties in respect of his/her office or otherwise in relation thereto.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors and directors of subsidiaries of the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance in relation to the Company's business to which the Company, any of its subsidiaries, its holding company or its fellow subsidiaries was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors were interested in any business apart from the Group's businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group during the year.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Continuing Connected Transactions

On 21 June 2016, Xingye Investment Holdings Limited, a wholly-owned subsidiary of the Company ("**Xingye**"), Mobilefun Limited (the "**Vendor**") and Mr. REN Hao, Mr. TONG Xin and Mr. YANG Jiong as the guarantors, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") in relation to acquisition of the entire issued share capital of Funnytime Limited by Xingye which constituted a disclosable transaction of the Company (the "**Acquisition**"). Mr. TONG Xin was relieved in July 2018 from acting as one of the guarantors after his disposal of all his interest in the Vendor to Mr. REN Hao.

Funnytime Limited is an investment holding company which holds the entire issued share capital of Soul Dargon Limited ("**Soul Dargon**"), which in turn holds the entire equity interest of Hefei Yueyou Network Technology Co., Ltd. (合肥悅遊網絡科技有限公司) ("**Hefei Yueyou**") which through the Hefei Structured Contracts (as defined below), has effective control over Hefei Zhangyue Network Technology Co., Ltd. (合肥掌悅網絡科技有限公司) ("**Hefei OPCO**"), and enjoys the economic interests and benefits of the Hefei OPCO. Please refer to the paragraph headed "Structured Contracts" below for the detail of the Hefei Structured Contracts.

Immediately after the completion of the Acquisition on 5 August 2016, each of Funnytime Limited, Soul Dargon and Hefei Yueyou has become a wholly-owned subsidiary of the Group. Mr. REN, being a party to the Hefei Structured Contracts, was one of the shareholders of the Vendor and Hefei OPCO and an Independent Third Party when the Sale and Purchase Agreement was entered into. He was appointed as an executive Director on 18 October 2016 and has therefore become a connected person of the Company. Mr. REN resigned as an executive Director on 23 September 2019, but still remains as a connected person of the Company pursuant to Rule 14A.07(2) of the Listing Rules until 22 September 2020. Following Mr. Ren's resignation, he ceased to be a connected person of the Company from 23 September 2020, being twelve months from his resignation date. As a result, the Hefei Structured Contracts would not constitute continuing connected transactions of the Company from 23 September 2020 onwards.

The Hefei Structured Contracts were amended and restated on 5 June 2020 to replace Mr. REN Hao, who was the registered owner of 1% of the equity interest of Hefei Yueyou ("**Ren's Exit**"), with Mr. YANG Lijiao ("**Mr. Yang**") and Mr. Ren ceased to hold interest in the Hefei Structured Contracts.

Details of the related party transactions of the Group are set out in note 32 to the financial statements. Those related party transactions constituted exempted connected transactions under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in the section of "Purchase, sale or Redemption of Listed Securities" in the "Management Discussion and Analysis" in this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

STRUCTURED CONTRACTS

On 1 July 2016, Hefei Yueyou, Mr. REN Hao and Mr. LI Zhe ("**Mr. Li**", an Independent Third Party) (collectively the "**Hefei VIE Equity Owners**") entered into certain structured contracts, namely (i) an exclusive management and consulting agreement (獨家管理諮詢協議), (ii) shareholders' voting trust agreement (股東表決權委託協議), (iii) share purchase option agreement (股權購買權協議), (iv) equity pledge agreement (股權質押協議) and (v) power of attorney ancillary to the foregoing (授權委託書), (vi) Hefei VIE equity owners' commitment letter (承諾函) and (vii) spouse consent letter (配偶同意函) (collectively the "**Hefei Structured Contracts**") by the Hefei VIE Equity Owners and spouses thereof to enable the financial results, the entire economic benefits and the risks of the businesses of Hefei OPCO to flow into Hefei Yueyou and to enable Hefei Yueyou to gain management control over the operation of Hefei OPCO. The Hefei Structured Contracts were amended and restated on 5 June 2020 to replace Mr. REN Hao, who was the registered owner of 1% of the equity interest of Hefei Yueyou, with Mr. Yang.

On 22 July 2020, Ningbo Longao Network Technology Co., Ltd. (寧波龍傲網路科技有限公司) ("**Ningbo Longao**"), Ningbo Longhui Network Technology Co., Ltd. (寧波龍輝網路科技有限公司) ("**Ningbo OPCO**"), Mr. Yang and Mr. ZHU Yangxiao (Mr. Yang and Mr. ZHU Yangxiao collectively as the "**Ningbo VIE Equity Owners**", together with the Hefei VIE Equity Owners, the "**VIE Equity Owners**") and spouses thereof entered into certain structured contracts, namely (i) an exclusive management and consulting agreement (獨家管理諮詢協議), (ii) shareholders' voting trust agreement (股東表決權委託協議), (iii) share purchase option agreement (股權購買權協議), (iv) equity pledge agreements (股權質押協議) and (v) power of attorney ancillary to the foregoing (授權委託書), (vi) Ningbo VIE Equity Owners' commitment letters (承諾函) and (vii) spouse consent letter (配偶同意函) (collectively the "**Ningbo Structured Contracts**", together with the Hefei Structured Contracts, the "**Structured Contracts**") to enable the financial results, the entire economic benefits and the risks of the businesses of Ningbo OPCO to flow into Ningbo Longao and to enable Ningbo Longao to gain management control over the operation of Ningbo OPCO.

Hefei Yueyou, Shenzhen Zhangyue Network Technology Co., Ltd. (深圳掌悅網絡科技有限公司), a wholly-owned subsidiary of the Hefei OPCO (the "**Hefei OPCO Subsidiary**"), Ningbo Longao and Ningbo OPCO (collectively the "**PRC Operating Entities**") are principally engaged in the development and operation of internet and mobile gaming products. The registered owners of Hefei OPCO are Mr. Li and Mr. Yang who beneficially owns 99% and 1% of the equity interest of Hefei OPCO respectively. Hefei Yueyou and Ningbao Longao are indirectly wholly-owned subsidiaries of Funnytime which had been acquired by Xingye Investment Holdings Limited, a wholly-owned subsidiary of the Company, following the completion of the acquisition of Funnytime on 5 August 2016. Please refer to the paragraph headed "Related Party Transactions and Connected Transactions – Continuing Connected Transactions" above for detail of the acquisition. The registered owners of Ningbo OPCO are Mr. Yang and Mr. ZHU Yangxiao who beneficially owns 99% and 1% of the equity interest of Ningbo OPCO respectively.

Pursuant to the Structured Contracts, Hefei Yueyou and Ningbo Longao shall, among others, respectively, (i) provide Hefei OPCO and Ningbo OPCO with exclusive management consultancy services, including among others, software development services, information technology consulting, business information consulting, corporate management information consulting and investment information consulting which in turn enable Hefei Yueyou and Ningbo Longao to exercise effective financial and operational control over the PRC Operating Entities and receive substantially all of the economic interest returns generated by the PRC Operating Entities in consideration for the business support, technical and consulting services provided by Hefei Yueyou and Ningbo Longao, at Hefei Yueyou and Ningbo Longao's discretion; (ii) act as agents of the VIE Equity Owners to attend the shareholders' meetings of Hefei OPCO and Ningbo OPCO which enable Hefei Yueyou and Ningbo Longao to exercise equity holders' voting rights of the PRC Operating Entities; (iii) obtain an irrevocable and exclusive right with an initial period of 10 years to purchase the entire equity interest in the PRC Operating Entities from the respective equity holders. This right automatically renews upon expiry until Hefei Yueyou and Ningbo Longao specify a renewal term; and (iv) obtain a pledge over the entire equity interest of the PRC Operating Entities from their respective equity holders as collateral security for all of the PRC Operating Entities' payments due to Hefei Yueyou and Ningbo Longao and to secure performance of PRC Operating Entities' obligations under the Structured Contracts.

As a result of the Structured Contracts, the financial results of Funnytime, Soul Dargon Limited, Hefei Yueyou, Ningbo Longao, and the PRC Operating Entities (collectively the "**Funnytime Group**") were consolidated by the Company since the acquisition date. For the year ended 31 December 2021, the revenue, net loss and total assets contributed by the Funnytime Group to the Group amounted to respectively RMB10.4 million, RMB2.8 million and RMB60.6 million, of which Ningbo Longao and Ningbo OPCO recorded nil revenue and net loss of RMB1.4 million with RMB38.1 million in total assets, as the revenue of the gaming business was shrinking, and new gaming products were still being developed or tested for the year ended 31 December 2021.

Reasons for using the Structured Contracts

The Hefei OPCO, Hefei OPCO Subsidiary and Ningbo OPCO are principally engaged in the development and operation of internet and mobile gaming products, among which the operation of internet and mobile games is considered to be engaged in the provision of value-added telecommunications services and the internet cultural business, a restricted business and prohibited business respectively for foreign investors pursuant to the Guidance Catalogue of Industries for Foreign Investment (2015 Revision)《外商投資產業指導目錄（2015年修訂）》.

Therefore, to comply with the applicable PRC laws and regulations, Hefei Yueyou, Ningbo Longao, Hefei OPCO, Ningbo OPCO and each of the VIE Equity Owners have entered into the Structured Contracts to enable the financial results, the entire economic benefits and the risks of the businesses of respectively the Hefei OPCO and Ningbo OPCO to flow into Hefei Yueyou and Ningbo Longao, and also to enable Hefei Yueyou and Ningbo Longao to gain management control over the operation of Hefei OPCO, Hefei OPCO Subsidiary and Ningbo OPCO.

The Structured Contracts allow the Group to effectively control the Funnytime Group and therefore recognise and receive substantially all of the economic benefits of the business and the operations of the Funnytime Group.

The risks associated with the arrangements and actions taken by the Company to mitigate the risks

Zhonglun Law Firm, the PRC legal adviser to the Company, (the "**PRC Legal Adviser**"), has issued a legal opinion confirming that each of the Structured Contracts is legally binding and enforceable under the applicable laws of the PRC up to the date of this report. The Company has engaged the PRC Legal Adviser to review the Structured Contracts on an annual or otherwise on an as-needed basis to mitigate the risk of any non-compliance of PRC laws and regulations.

However, there can be no assurance that the PRC government authority would deem these contractual arrangements and/or the Structured Contracts to be in compliance with the licensing, registration or other regulatory requirements, or that the legal requirements or policies that may be adopted in the future (in particular those concerning foreign investment and/or merger and acquisition by foreign investors) would not affect the Structured Contracts and such contractual arrangements. Also, the enforceability may be affected by any applicable bankruptcy, insolvency, fraudulent transfer, reorganisation, moratorium or similar laws affecting creditors' rights generally and possible judicial or administrative actions or any PRC laws and regulations affecting creditors' rights.

Further to the above, in order the mitigate the risks, the Company had also adopted a series of internal measures including, among others, our Chief Executive Officer had conducted regular site visits to Hefei OPCO and Ningbo OPCO and conducted personnel interviews and submitted reports to the Board and our Chief Financial Officer had collected monthly management accounts, bank statements and cash balances and major operational data of Hefei OPCO and Ningbo OPCO for review, along with other internal control measures as detailed in the announcement of the Company dated 21 June 2016 in relation to Hefei OPCO (the "**Acquisition Announcement**").

Please refer to the Acquisition Announcement for further detail of the terms and conditions of the Hefei Structured Contracts, the risks associated with the Hefei Structured Contracts and the internal measures of the Company.

For the year ended 31 December 2021, there was no material change in the Structured Contracts. As of the date of this annual report, there is no unwinding of any of the Structured Contracts.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions that were in force as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules during the year ended 31 December 2021. Details of the corporate governance practices of the Company are set out in the Corporate Governance Report in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

TAX RELIEF

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

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three independent non-executive Directors, namely, Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong. The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2021 and has also discussed audit, risk management, internal control, continuing connected transactions and financial reporting matters including accounting practices and principles adopted by the Group.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by KPMG. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Xingye Alloy Materials Group Limited
HU Minglie
Chief Executive Officer and Executive Director

Hong Kong, 31 March 2022

EXECUTIVE DIRECTORS

Mr. HU Changyuan, aged 73, is an executive Director and Chairman of the Board of the Company since 13 September 2007. Mr. HU was recognized as a senior economist by the Municipal Personnel Bureau of Zhejiang Province (浙江省人事廳) in 1995. He is the founder of the Group. Mr. HU has more than 30 years of experience in the copper plates and strips industry. He was a committee member of the first council of the China Nonferrous Metals Industry Association (中國有色金屬工業協會) (the "**CNMFIA**"), a member of the People's Political and Consultation Commission of Cixi City (慈溪市政協) and was a representative to the People's Congress of Ningbo City (寧波市人大). Mr. HU was awarded the title of "Labor Model of Ningbo City" (寧波市勞動模範) by Ningbo People's Government (寧波市人民政府) in 1991. In 2005, Mr. HU served as a vice president of the Zhejiang Charity Federation (浙江省慈善總會). In 2005, Mr. HU was awarded Zhejiang Charitable Individual (浙江慈善個人獎) by the People's Government of Zhejiang. He was also awarded the title of outstanding Chinese Entrepreneur (中國優秀企業家) by the Chinese International Hua Shang Association (中國國際華商會) and International Hua Shang Magazine (國際《華商》雜誌社) in 2006. In 2007, he was awarded "Outstanding Contributions to Chinese Charities" (中華慈善事業突出貢獻獎) and the title of "China's Charity Figure" (中華慈善人物) by China Charity Federation (中華慈善總會). Mr. HU is the father of Mr. HU Minglie and a director of Luckie Strike Limited and Come Fortune International Limited, substantial shareholders within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. HU Minglie, aged 40, is an executive Director of the Company and Chief Executive Officer of the Group since 17 November 2014. He graduated from the University of Arizona with a master degree in Optical Science Engineering, and has received a MBA degree from UCLA Anderson School of Management. Mr. HU is the founding partner and chairman of Lighthouse Capital Management LLC (the "**Lighthouse Capital**"), an equity investment fund management company established in Mainland China. At the time when he established Lighthouse Capital, he had been the partner of Tianjin Raystone Taihe Fund Management LLP, another equity investment fund management company established in Mainland China, for more than four years. During his service in Lighthouse Capital, he was responsible for the structuring and management of two funds with assets under management of over RMB300 million. The funds invested in more than 20 growth oriented projects in China and overseas, which were mainly medical, equipment and mobile internet projects. Mr. HU has also actively participated in the charity activities in Mainland China and Hong Kong, and is the director of Cixi Xingye Xi Yang Hong Charitable Foundation and Si Ming Care for Aged and Children Charitable Foundation Limited. Mr. HU is the son of Mr. HU Changyuan.

Mr. ZHU Wenjun, aged 40, is an executive Director of the Company since 18 October 2016 and the Chief Financial Officer of the Company since April 2015. He is also a member of Remuneration Committee of the Company. Prior to joining the Group, he worked with Shanghai Guohe Capital, where he had led private equity investment deals in media, software, internet and financial services sectors. Mr. ZHU has over 14 years of experience of finance, investment and corporate management. He started his career with KPMG assurance services, and also worked at Deloitte Financial Advisory with its Corporate Restructuring Services. Mr. ZHU holds an M.B.A. degree from UCLA Anderson School of Management, and bachelor's degree in law from Shanghai University of International Business and Economics.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAI Chaoming, aged 52. is an independent non-executive Director of the Company since May 2009. He is the chairman of Audit Committee and Nomination Committee of the Company. He graduated and obtained a Bachelor degree in economics from Shanghai University of Finance & Economics and a Master degree in business administration from Guanghua School of Management of Beijing University. Mr. CHAI is a partner of Raystone Capital Management, LLP, a fund which focuses on private equity investment in China. Mr. CHAI has extensive corporate management and investment experience. Mr. CHAI was an independent non-executive director of Tangshan Jidong Cement Company Limited (stock code: 000401.SZ), a company listed on the Shenzhen Stock Exchange Limited in China and his appointment ceased on 2 March 2021.

Dr. LOU Dong, aged 40, is an independent non-executive Director of the Company since August 2015. He is also the chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Company. He graduated from Columbia University with a degree of Bachelors of Computer Science in 2004 and obtained a doctoral degree from Yale University in Financial Economics in 2009. Dr. LOU worked as an assistant professor in Finance at the London School of Economics and Political Science from 2009–2015, where he is currently an associate professor (tenured professor) in Finance. Dr. LOU is a researcher at the Centre for Economic Policy Research in the United Kingdom from 2013 to the present and an associate editor at Management Science and Journal of Empirical Finance from 2014 to the present.

Ms. LU Hong, aged 52, is an independent non-executive Director since May 2016. She is also a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company. Ms. LU has over 22 years of experience in accounting, financial management, company secretarial and domestic and overseas capital markets field. She is a member of the Chinese Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. LU has extensive knowledge and experience in accounting and is very familiar with listing rules and regulations both in Hong Kong and PRC. She has rich experience in the listing of corporations in the PRC, Hong Kong, Singapore and the United States of America, and foreign and domestic investment and financing operations as well as mergers and acquisitions. Ms. LU also specializes in financial analysis, budgeting, financial management and tax planning. Ms. LU has been an independent non-executive director of Sino Biopharmaceutical Limited (stock code: 1177), a company listed on the main board of The Stock Exchange of Hong Kong Limited.

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

Independent auditor's report to the shareholders of
Xingye Alloy Materials Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Xingye Alloy Materials Group Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 97 to 186, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Revenue recognition

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

The Key Audit Matter

Revenue from the sale of copper products is recognised when the goods are delivered to the customers' designated location for domestic sales or when the goods are loaded on shipping vessels for overseas sales, which is considered to be the point in time when the customer obtains control of the copper products.

The Group's sales contracts with customers have a variety of terms in relation to goods acceptance and the calculation of sales rebates. Management evaluates the terms of individual contracts in order to determine the appropriate timing of revenue recognition and the amounts which should be recognised.

How the matter was addressed in our audit

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

- assessing the design, implementation and operating effectiveness of the relevant key internal controls which govern revenue recognition from the sale of copper products;
- inspecting customer contracts on a sample basis and evaluating the Group's revenue recognition policies, including the timing of revenue recognition and the amount of revenue recognised, with reference to the requirements of the prevailing accounting standards;
- comparing revenue transactions recognised during the year, on a sample basis, with contracts and goods delivery notes with the customers' acknowledgement of receipt and acceptance of the goods or bills of lading and assessing whether revenue was recognised in accordance with the Group's revenue recognition policies;
- comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with sales contracts and goods delivery notes with the customers' acknowledgement of receipt and acceptance of the goods or bills of lading to determine whether the revenue had been recognised in the appropriate financial period;

KEY AUDIT MATTERS (Continued)

Revenue recognition (Continued)

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

The Key Audit Matter	How the matter was addressed in our audit
We identified revenue recognition from the sale of copper products as a key audit matter because revenue is a key performance indicator of the Group which could create an incentive for manipulation of revenue to meet targets or expectations.	• recalculating, on a sample basis, sales rebates recognised during the year with reference to the terms contained in customers' sales contracts and the actual sales volumes for customers qualifying for sales rebates, comparing our calculations with those of the Group and assessing whether the sales rebates had been completely and accurately recognised in the appropriate financial period; • inspecting samples of credit invoices and returned goods delivery notes issued in December 2021 and January 2022 to evaluate whether associated adjustments to revenue had been accurately recorded in the appropriate accounting period; and • inspecting manual adjustments to revenue made during the reporting period applying risk-based sampling techniques, enquiring of management as to the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Steven Roy Parker.

KPMG
Certified Public Accountants

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

31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Revenue	4(a)	**6,949,881**	4,534,947
Cost of sales		**(6,159,413)**	(3,998,052)
Gross profit		**790,468**	536,895
Other income	5	**15,409**	25,045
Distribution expenses		**(61,463)**	(42,604)
Administrative expenses		**(313,978)**	(242,173)
Other expenses	6	**(62,026)**	(107,326)
Profit from operations		**368,410**	169,837
Finance income		**20,483**	34,647
Finance costs		**(35,031)**	(29,957)
Net finance (costs)/income	7(a)	**(14,548)**	4,690
Profit before taxation		**353,862**	174,527
Income tax	8	**(76,519)**	(23,452)
Profit for the year		**277,343**	151,075
Attributable to:			
Equity shareholders of the Company		**276,977**	150,832
Non-controlling interests		**366**	243
Profit for the year		**277,343**	151,075
Earnings per share	12		
Basic (RMB)		**0.32**	0.18
Diluted (RMB)		**0.32**	0.18

The notes on pages 105 to 186 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(d).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Profit for the year		**277,343**	151,075
Other comprehensive income for the year (after tax and reclassification adjustments)	11		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas operations		**(881)**	(1,069)
Other comprehensive income for the year		**(881)**	(1,069)
Total comprehensive income for the year		**276,462**	150,006
Attributable to:			
Equity shareholders of the Company		**276,096**	149,763
Non-controlling interests		**366**	243
Total comprehensive income for the year		**276,462**	150,006

The notes on pages 105 to 186 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in RMB)

	Note	**2021**	2020
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	*13*	**866,912**	817,625
Right-of-use assets	*14*	**70,435**	71,110
Deposits for acquisition of property, plant and equipment		**5,916**	2,075
Other non-current assets		**7,490**	7,490
Deferred tax assets	*8(d)*	**17,164**	26,290
		967,917	924,590
Current assets			
Inventories	*17*	**1,217,711**	943,668
Trade and other receivables	*18*	**461,169**	441,184
Structured bank deposits	*20*	**–**	5,000
Restricted bank deposits	*21*	**566,228**	279,320
Bank deposits with original maturity over three months		**124,072**	138,150
Cash and cash equivalents	*22*	**235,844**	223,300
		2,605,024	2,030,622
Current liabilities			
Derivative financial instruments	*19*	**3,889**	21,672
Interest-bearing borrowings	*23*	**822,927**	828,385
Trade and other payables	*24*	**1,062,213**	725,619
Lease liabilities	*25*	**2,010**	1,146
Income tax payable		**27,569**	15,298
		1,918,608	1,592,120
Net current assets		**686,416**	438,502
Total assets less current liabilities		**1,654,333**	1,363,092

The notes on pages 105 to 186 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Interest-bearing borrowings	23	39,860	88,790
Lease liabilities	25	2,911	3,024
Deferred income	26	38,191	38,721
Deferred tax liabilities	8(d)	4,500	1,500
		85,462	132,035
NET ASSETS		1,568,871	1,231,057
CAPITAL AND RESERVES			
Share capital	27(b)	80,774	73,676
Reserves		1,485,571	1,155,221
Total equity attributable to equity shareholders of the Company		1,566,345	1,228,897
Non-controlling interests		2,526	2,160
TOTAL EQUITY		1,568,871	1,231,057

Approved and authorised for issue by the board of directors on 31 March 2022.

Hu Minglie

Directors

Zhu Wenjun

The notes on pages 105 to 186 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(Expressed in RMB)

		Attributable to equity shareholders of the Company										
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Translation reserve *RMB'000*	Treasury shares held for Share Award Scheme *RMB'000*	Share-based compensation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2020		77,417	322,514	258,060	85,320	(16,561)	(2,523)	3,348	383,353	1,110,928	1,917	1,112,845
Profit for the year		–	–	–	–	–	–	–	150,832	150,832	243	151,075
Other comprehensive income		–	–	–	–	(1,069)	–	–	–	(1,069)	–	(1,069)
Total comprehensive income		–	–	–	–	(1,069)	–	–	150,832	149,763	243	150,006
Share Award Scheme:												
– Shares vested from the share award scheme and transferred to grantees	*29(c)*	–	–	–	–	–	1,589	(1,668)	79	–	–	–
Buy-back and cancellation of shares for contingent consideration	*27(b)*	(3,741)	(28,053)	–	–	–	–	–	–	(31,794)	–	(31,794)
Disposals of interests in subsidiaries	*22(c)*	–	–	–	(1,541)	–	–	–	1,541	–	–	–
At 31 December 2020		73,676	294,461	258,060	83,779	(17,630)	(934)	1,680	535,805	1,228,897	2,160	1,231,057

The notes on pages 105 to 186 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(Expressed in RMB)

		Attributable to equity shareholders of the Company										
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Translation reserve *RMB'000*	Treasury shares held for Share Award Scheme *RMB'000*	Share-based compensation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2021		73,676	294,461	258,060	83,779	(17,630)	(934)	1,680	535,805	1,228,897	2,160	1,231,057
Profit for the year		–	–	–	–	–	–	–	276,977	276,977	366	277,343
Other comprehensive income		–	–	–	–	(881)	–	–	–	(881)	–	(881)
Total comprehensive income		–	–	–	–	(881)	–	–	276,977	276,096	366	276,462
Issuance of new shares		7,098	59,672	–	–	–	–	–	–	66,770	–	66,770
Share Award Scheme:												
– Treasury shares held for the Share Award Scheme	29(c)	–	–	–	–	–	(10,726)	–	–	(10,726)	–	(10,726)
– Shares granted from the share award scheme	29(c)	–	–	–	–	–	–	5,308	–	5,308	–	5,308
– Shares vested from the share award scheme	29(c)	–	–	–	–	–	6,727	(6,791)	64	–	–	–
Liquidation of interest in subsidiaries	29(a)	–	–	–	(250)	–	–	–	250	–	–	–
At 31 December 2021		80,774	354,133	258,060	83,529	(18,511)	(4,933)	197	813,096	1,566,345	2,526	1,568,871

The notes on pages 105 to 186 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(Expressed in RMB)

	2021 *RMB'000*	2020 *RMB'000*
Cash flows from operating activities		
Profit for the year	277,343	151,075
Adjustment for:		
Depreciation of property, plant and equipment	102,831	100,313
Depreciation for right-of-use assets	3,302	2,370
Amortisation of intangible assets	–	499
Impairment losses on property, plant and equipment	–	1,248
Impairment losses on trade and other receivables	1,766	2,845
Impairment loss on intangible assets	–	883
Losses on disposals of property, plant and equipment	86	241
Gains on disposals of property, plant and equipment	–	(1,208)
Gains on disposals of right-of-use assets	–	(81)
Net finance costs/(income)	14,548	(4,690)
Equity-settled share-based payment transactions	5,308	–
Unrealised fair value change on derivative financial instruments	(17,783)	14,462
Gains on disposals of interests in subsidiaries	–	(11)
Income tax expense	76,519	23,452
Amortisation of deferred income	(6,190)	(5,993)
	457,730	285,405
Changes in working capital:		
Inventories	(274,043)	(246,845)
Trade and other receivables	(73,653)	(109,532)
Trade and other payables	76,100	109,197
Cash generated from operations	186,134	38,225
Interest paid	(34,942)	(31,382)
Income tax paid	(52,122)	(20,534)
Net cash generated from/(used in) operating activities	99,070	(13,691)

The notes on pages 105 to 186 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(Expressed in RMB)

	Note	2021 *RMB'000*	2020 *RMB'000*
Cash flows from investing activities			
Interest received		**4,489**	8,776
Proceeds from disposals of property, plant and equipment		**166**	1,405
Payment for purchase of structured bank deposits		**(3,000)**	(85,000)
Proceeds from maturity of structured bank deposits		**8,208**	100,808
Changes in guarantee deposits and bank deposits with maturity over three months		**11,652**	(7,049)
Net proceeds from disposal of subsidiaries	*22(c)*	**–**	29,912
Acquisition of property, plant and equipment, net of deposits placed in previous years		**(156,574)**	(61,184)
Acquisition of right-of-use assets		**(852)**	(248)
Deposits for acquisition of property, plant and equipment		**(5,828)**	(1,763)
Net cash used in investing activities		**(141,739)**	(14,343)
Cash flows from financing activities			
Repayments of interest-bearing borrowings	*22(a)*	**(1,554,518)**	(1,464,355)
Proceeds from interest-bearing borrowings	*22(a)*	**1,554,362**	1,556,353
Capital element of lease rentals paid	*22(a)*	**(1,024)**	(840)
Payment for purchase of shares in connection with Share Award Scheme	*29(c)*	**(10,726)**	–
Proceeds from issuance of shares, net of issuance expenses		**66,770**	–
Net cash generated from financing activities		**54,864**	91,158
Net increase in cash and cash equivalents		**12,195**	63,124
Cash and cash equivalents at 1 January		**223,300**	163,150
Effect of movements in exchange rates on cash held		**349**	(2,974)
Cash and cash equivalents at 31 December		**235,844**	223,300

The notes on pages 105 to 186 form part of these financial statements.

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 consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group"). The principal activities of the Group are the manufacture and sales of high precision copper plates and strips, trading of raw materials, and provision of processing services. After the acquisition of an online gaming business in August 2016, the Group's activities also include developing, publishing and operating online games and provision of related services.

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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and related Interpretations, issued by the International Accounting Standards Board (IASB), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

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 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

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

- contingent consideration receivables;
- contingent consideration payables;
- derivative financial instruments (see note 2(h)); and
- structured bank deposits (see note 2(g)(i)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Functional and presentation currency

These consolidated financial statements are presented in Renminbi ("**RMB**"), which is the functional currency of the Group's subsidiaries located in the PRC. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The functional currency of the Company and its subsidiaries incorporated in Hong Kong and British Virgin Islands is Hong Kong dollar ("**HKD**").

(e) Subsidiaries and non-controlling interests

(i) Business combination

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

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

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

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

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

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(v)(iv)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

–	Plant and buildings	10 – 35 years
–	Machinery	5 – 20 years
–	Electronic and other equipment	3 – 10 years
–	Motor vehicles	5 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(l)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Intangible assets that are acquired by the Group upon acquisition of subsidiaries are measured at fair value upon initial recognition. Subsequent to initial recognition, those intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (see note 2(l)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

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

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily computers and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

As a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to its present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(l)(ii)).

Depreciation is calculated to write-off the cost of right-of-use assets, using the straight-line method over their estimated useful lives as follows:

–	Leasehold land	50 years
–	Leased properties	2 – 4.3 years
–	Leased vehicles	4 years

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

A lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the following item:

– financial assets measured at amortised cost (including cash and cash equivalents, bank deposits with maturity over three months, restricted bank deposits and trade and other receivables).

Other financial assets measured at fair value, including structured bank deposits, derivative financial assets and contingent consideration receivables, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

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

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(v)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;
– a breach of contract, such as a default or past due event;
– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;
– right-of-use assets;
– intangible assets;
– goodwill; and
– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Impairment of other non-current assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Inventories and other contract costs (Continued)

(i) Inventories (Continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(m)(i)), property, plant and equipment (see note 2(i)) or intangible assets (see note 2(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less from the initial recognition of the asset.

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(o)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All trade and other receivables are subsequently stated at amortised cost, using the effective interest method and including allowance for credit losses (see note 2(l)(i)).

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

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(l)(i).

(q) Trade and other payables

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

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(x)).

(s) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(ii) Share-based payments

The shares awarded under the Share Award Scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Treasury shares held for Share Award Scheme" and deducted from equity.

For shares granted under the Share Award Scheme, the fair value of shares granted to employees is recognised as an employee service cost with a corresponding increase in share-based compensation reserve within equity. The fair value is based on the closing price of the Company's shares on grant date plus any directly attributable incremental costs. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares.

When the awarded shares are transferred to the grantees upon vesting, the related weighted average acquisition cost of the awarded shares vested are credited to "Treasury shares held for Share Award Scheme", and the grant date fair value of the awarded shares vested are debited to the share-based compensation reserve. The difference between the related weighted average acquisition cost and the grant date fair value of the awarded shares vested is transferred to retained profits directly.

Share-based payment transactions in which the Company grants shares to its subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position which is eliminated on consolidation.

Where there is any modification of terms and conditions that is not beneficial to the employee, e.g. by increasing the vesting period, then this modification is ignored, i.e. the grant-date fair value of the equity instruments granted is recognised over the original vesting period.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax basis. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria is adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

(v) Revenue and other income

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(i) Sales of copper products

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

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

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

(ii) Publishing and operating online games

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

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

(iii) Services income

Revenue for the provision of technical services is recognised at the point in time when services have been rendered.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(v) Government grants

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

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

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction date. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(z) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

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

(a) the entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the Group of which the other entity is a member).

(c) both entities are joint ventures of the same third party.

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) the entity is controlled or jointly controlled by a person identified in (i).

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

- Note 2(v) – Revenue from publishing and operating online games: whether the Group acts as an agent in the transaction rather than as a principal.

- Notes 29(b)&(c) – Consolidation: whether the Group has control over entities through contractual arrangements and trusts.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Loss allowance for trade receivables

The Group estimates the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables during their expected lives.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(ii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The management reviews the estimated useful lives and the residual values, if any, of the assets regularly in order to determine the amount of depreciation charge for the year. The useful lives of the assets are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. Net realisable value could change significantly as a result of competitor's actions in response to severe industry cycles or other changes in market conditions. Management reassess the estimations at each reporting date.

(iv) Impairment of non-current assets

Management determines the impairment loss on non-current assets other than goodwill if circumstances indicate that the carrying value of an asset may not be recoverable. Goodwill is tested annually for impairment. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and the amount of operating costs.

(v) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislation. Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

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 and timing of revenue recognition is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Revenue from contracts with customers within the scope of IFRS15		
Disaggregated by major products or service lines		
Copper products related:		
– Sales of high precision copper plates and strips	6,446,971	4,229,326
– Processing service fees	276,560	206,912
– Trading of raw materials	216,011	83,483
	6,939,542	4,519,721
Online games related:		
– Publishing and operating online games	9,412	13,077
– Others	927	2,149
	10,339	15,226
	6,949,881	4,534,947
Disaggregated by timing of revenue recognition		
– Point in time	6,939,542	4,519,721
– Over time	10,339	15,226
	6,949,881	4,534,947

4 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

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

The Group's customer base is diversified and no single customer contributed over 10% of the total revenue of the Group during the years ended 31 December 2021 and 2020.

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

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

(b) Segment reporting

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

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

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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.

	2021	2020
	RMB'000	*RMB'000*
Revenue		
Mainland China	**6,195,644**	4,140,859
South Korea	**109,538**	–
Hong Kong, China	**109,069**	54,709
Taiwan, China	**102,838**	104,873
Bangladesh	**76,492**	46,087
India	**55,335**	49,877
Thailand	**51,389**	28,339
Other countries	**249,576**	110,203
	6,949,881	4,534,947

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

5 OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Government grants	**11,807**	16,178
Gains on disposals of interests in subsidiaries	**–**	11
Gains on write-off of trade payables	**–**	785
Gains on disposals of property, plant and equipment	**–**	1,208
Gains on disposals of right-of-use assets	**–**	81
Others	**3,602**	6,782
	15,409	25,045

Government grants represent unconditional government grants of RMB5,617,000 (2020: RMB10,185,000) 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 RMB6,190,000 during the year ended 31 December 2021 (2020: RMB5,993,000) (note 26).

6 OTHER EXPENSES

	2021	2020
	RMB'000	*RMB'000*
Impairment losses on property, plant and equipment	**–**	1,248
Impairment losses on intangible assets	**–**	883
Credit loss allowance on trade and other receivables *(note 30(a))*	**1,766**	2,845
Losses on disposals of property, plant and equipment	**86**	241
Net losses on derivative financial instruments	**59,708**	101,786
Others	**466**	323
	62,026	107,326

7 PROFIT BEFORE TAXATION

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

(a) Net finance (costs)/income

	2021	2020
	RMB'000	*RMB'000*
Interest income on bank deposits	**18,428**	14,397
Changes in fair values of contingent consideration receivables and contingent consideration payables *(note 24(iii))*	**–**	9,838
Net foreign exchange gains	**1,847**	9,722
Gains from structured bank deposits	**208**	690
Finance income	**20,483**	34,647
Interest expenses on interest-bearing borrowings	**(36,109)**	(29,227)
Interest on lease liabilities *(note 14)*	**(240)**	(78)
Less: interest expenses capitalised	**1,318**	–
Net interest expenses recognised in profit or loss	**(35,031)**	(29,305)
Losses from foreign exchange forward contracts	**–**	(652)
Finance costs	**(35,031)**	(29,957)
Net finance (costs)/income	**(14,548)**	4,690

7 PROFIT BEFORE TAXATION (Continued)

(b) Personnel costs

	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**209,097**	165,567
Equity-settled share-based payment expenses	**5,308**	–
Contributions to defined contribution plan	**8,329**	1,541
	222,734	167,108

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.

7 PROFIT BEFORE TAXATION (Continued)

(c) Other items

	2021	2020
	RMB'000	*RMB'000*
Cost of inventories*	**6,157,001**	3,992,690
Depreciation		
– Property, plant and equipment *(note 13)*	**102,831**	100,313
– Right-of-use assets *(note 14)*	**3,302**	2,370
Amortisation		
– Intangible assets *(note 15)*	**–**	499
Impairment losses on		
– Trade and other receivables	**1,766**	2,845
– Property, plant and equipment	**–**	1,248
– Intangible assets	**–**	883
Research and development expenditure		
(included in administrative expenses)	**189,767**	133,210
Auditor's remuneration-audit services	**2,380**	2,330

* Cost of inventories includes RMB149,917,000 (2020: RMB126,563,000) relating to staff costs and depreciation expenses whose amounts are also included in the respective total amounts disclosed separately above or in notes 7(b) and 7(c) for each type of expense.

8 INCOME TAX

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

	2021	2020
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**62,936**	24,936
Under/(over) provision in respect of prior year	**1,457**	(8,473)
	64,393	16,463
Deferred tax		
Origination and reversal of temporary differences	**9,126**	6,989
PRC withholding tax	**3,000**	–
	76,519	23,452

(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% (2020: 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 2021, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 12.5% as taxable income amount, and be subject to enterprise income tax at 20%. The portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 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 2021, a preferential withholding tax rate of 5% is applied, since Xingye Copper International (HK) Limited ("**Xingye Copper (HK)**"), the parent company of the Group's PRC subsidiaries, became entitled to the preferential withholding tax rate of 5%, having been certified as a tax resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". As a result, deferred tax liabilities of RMB4,500,000 (2020: 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 2021.

8 INCOME TAXES (Continued)

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

	2021 *RMB'000*	2020 *RMB'000*
Profit before taxation	**353,862**	174,527
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	**90,562**	40,165
Tax effect of unused tax losses and other temporary differences not recognised as deferred tax assets	**3,057**	1,811
Tax effect of utilisation of tax losses not recognised as deferred tax assets in prior years	**(1,298)**	(242)
Withholding tax on profits retained by PRC subsidiaries	**3,000**	–
Effect of tax concessions	**(473)**	(780)
Under/(over) provision in prior year	**1,457**	(8,473)
Additional deduction for qualified research and development expenses (Note)	**(20,710)**	(10,736)
Tax effect of non-deductible expenses	**924**	1,707
Actual tax expense	**76,519**	23,452

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

8 INCOME TAXES (Continued)

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

	Accelerated depreciation and impairment of property, plant and equipment	Credit loss allowance	Inventory provision	Changes in fair value of derivative financial instruments	Deferred income	Withholding tax on dividends	Intangible assets	Unrealised profits arising from intra-group transactions and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	13,240	3,663	6,789	1,803	4,278	(1,500)	(346)	3,852	31,779
Credited/(charged) to profit or loss	(4,486)	(773)	(5,060)	3,615	188	–	346	(819)	(6,989)
At 31 December 2020 and 1 January 2021	8,754	2,890	1,729	5,418	4,466	(1,500)	–	3,033	24,790
Credited/(charged) to profit or loss	(3,952)	(192)	(1,369)	(4,446)	774	(3,000)	–	59	(12,126)
At 31 December 2021	4,802	2,698	360	972	5,240	(4,500)	–	3,092	12,664

8 INCOME TAXES (Continued)

(d) Reconciliation to consolidated statement of financial position

	2021	2020
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**17,164**	26,290
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(4,500)**	(1,500)
	12,664	24,790

(e) Unrecognised deferred tax assets and liabilities

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

	2021	2020
	RMB'000	*RMB'000*
Tax losses of subsidiaries (i)	**27,488**	20,986
Retained earnings of PRC subsidiaries not expected to be distributed outside of the PRC in the foreseeable future (ii)	**(419,719)**	(331,177)

(i) Deferred tax assets have not been recognised in respect of the tax losses of certain subsidiaries of the Group because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

(ii) Deferred tax liabilities in relation to withholding tax have not been recognised for the above undistributed earnings of PRC subsidiaries as the Group controls the timing and amounts of distribution and does not expect to incur such liabilities in the foreseeable future.

9 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2021					
Name of directors	Director' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	Discretionary bonuses *RMB'000*	Equity-settled share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Hu Changyuan	–	786	–	–	1,461	2,247
Mr. Hu Minglie	–	1,303	1	–	1,461	2,765
Mr. Zhu Wenjun	–	1,131	23	–	487	1,641
Independent non-executive directors						
Mr. Chai Chaoming	120	–	–	–	49	169
Mr. Lou Dong	120	–	–	–	49	169
Ms. Lu Hong	120	–	–	–	49	169
	360	3,220	24	–	3,556	7,160

9 DIRECTORS' REMUNERATION (Continued)

Name of directors	Director' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
	Year ended 31 December 2020					
Executive directors						
Mr. Hu Changyuan	–	573	–	–	–	573
Mr. Hu Minglie	–	1,226	1	1,779	–	3,006
Mr. Zhu Wenjun	–	1,081	6	–	–	1,087
Non-executive directors						
Mr.Dai Jianchun (resigned on 24 June 2020)	213	–	–	–	–	213
Independent non-executive directors						
Mr. Chai Chaoming	100	–	–	–	–	100
Mr. Lou Dong	100	–	–	–	–	100
Ms. Lu Hong	100	–	–	–	–	100
	513	2,880	7	1,779	–	5,179

There were no amounts paid during the year to Directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement during the year under which a Director waived or agreed to waive any remuneration.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2020: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two (2020: two) individuals are as follows:

	2021	2020
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,988**	1,510
Equity-settled share-based payments	**487**	–
Retirement scheme contributions	**6**	–
	2,481	1,510

The emoluments of the two (2020: two) individuals with the highest emoluments are within the following bands:

RMB'000	**2021 Number of individuals**	2020 Number of individuals
Nil – 1,000	**–**	2
1,000-2,000	**2**	–

11 OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income

	2021			2020		
	Before-tax amount	**Tax (expense)/ benefit amount**	**Net-of-tax amount**	Before-tax amount	Tax (expense)/ benefit amount	Net-of-tax amount
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Exchange differences on translation of financial statements of overseas subsidiaries	**(881)**	**–**	**(881)**	(1,069)	–	(1,069)
Other comprehensive income	**(881)**	**–**	**(881)**	(1,069)	–	(1,069)

12 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB276,977,000 (2020: RMB150,832,000) and the weighted average number of 852,683,874 ordinary shares (2020: 823,188,943) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021	2020
Ordinary shares in issue at 1 January	**813,263,173**	852,061,173
Effect of new shares issued	**39,123,287**	–
Effect of shares vested/purchased under Share Award Scheme *(note 29(c))*	**297,414**	108,592
Effect of contingent consideration shares buy-back and cancelled	**–**	(28,980,822)
Weighted average number of ordinary shares in issue at 31 December	**852,683,874**	823,188,943

(b) Diluted earnings per share

As at 31 December 2021, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB276,977,000 (2020: RMB150,832,000) and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares amounting to 852,692,552 (2020: 825,000,479) ordinary shares.

Weighted average number of ordinary shares (diluted)

	2021	2020
Weighted average number of ordinary shares at 31 December (basic)	**852,683,874**	823,188,943
Effect of Share Award Scheme *(note 29(c))*	**8,678**	1,811,536
Weighted average number of ordinary shares at 31 December (diluted)	**852,692,552**	825,000,479

13 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings *RMB'000*	Machinery *RMB'000*	Electronic and other equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2020	247,124	1,465,049	25,264	10,434	80,597	1,828,468
Additions	371	1,966	769	–	52,931	56,037
Transfers from construction in progress	1,664	63,509	18	–	(65,191)	–
Disposals of subsidiaries	(29,221)	(65,425)	(876)	–	–	(95,522)
Disposals	–	(4,186)	(107)	(909)	–	(5,202)
At 31 December 2020	219,938	1,460,913	25,068	9,525	68,337	1,783,781
Additions	1,145	670	1,304	3,535	145,716	152,370
Transfers from construction in progress	4,368	38,917	–	–	(43,285)	–
Disposals	–	(25)	(376)	(610)	–	(1,011)
At 31 December 2021	225,451	1,500,475	25,996	12,450	170,768	1,935,140
Accumulated depreciation and impairment losses						
At 1 January 2020	(87,814)	(831,676)	(17,470)	(6,302)	–	(943,262)
Charge for the year	(7,256)	(90,286)	(1,703)	(1,068)	–	(100,313)
Impairment losses	(1,248)	–	–	–	–	(1,248)
Disposals of subsidiaries	16,378	59,412	813	–	–	76,603
Disposals	–	1,235	98	731	–	2,064
At 31 December 2020	(79,940)	(861,315)	(18,262)	(6,639)	–	(966,156)
Charge for the year	(6,680)	(93,518)	(1,544)	(1,089)	–	(102,831)
Disposals	–	22	352	385	–	759
At 31 December 2021	(86,620)	(954,811)	(19,454)	(7,343)	–	(1,068,228)
Net book value						
At 31 December 2021	138,831	545,664	6,542	5,107	170,768	866,912
At 31 December 2020	139,998	599,598	6,806	2,886	68,337	817,625

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

(ii) Certain property, plant and equipment with aggregate carrying amount of RMB191,755,000 (2020: RMB221,866,000) were pledged as security for bank loans at 31 December 2021 (see note 23(iii)).

(iii) As at 31 December 2021, the Group was in the process of applying for the title certificates for certain of its properties with an aggregate carrying value of RMB14,350,000 (2020: RMB15,293,000). The Directors of the Company are of the opinion that the Group is entitled to lawfully occupy and use the above mentioned properties.

Impairment losses

No impairment loss was recognised for the year ended 31 December 2021. For the year ended 31 December 2020, as a result of an impairment review, the carrying amounts of certain land and buildings exceeded their recoverable amounts. Accordingly, impairment losses of RMB1,248,000 were recognised.

14 RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Leased properties *RMB'000*	Leased vehicles *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2020	78,131	2,707	–	80,838
Additions	–	3,637	925	4,562
Disposals of subsidiaries	(5,959)	–	–	(5,959)
Disposals	–	(2,707)	–	(2,707)
At 31 December 2020	72,172	3,637	925	76,734
Additions	–	2,627	–	2,627
At 31 December 2021	72,172	6,264	925	79,361
Accumulated depreciation				
At 1 January 2020	(5,353)	(1,045)	–	(6,398)
Charge for the year	(1,511)	(801)	(58)	(2,370)
Disposals of subsidiaries	1,478	–	–	1,478
Disposals	–	1,666	–	1,666
At 31 December 2020	(5,386)	(180)	(58)	(5,624)
Charge for the year	(1,450)	(1,621)	(231)	(3,302)
At 31 December 2021	(6,836)	(1,801)	(289)	(8,926)
Net book value				
At 31 December 2021	65,336	4,463	636	70,435
At 31 December 2020	66,786	3,457	867	71,110

14 RIGHT-OF-USE ASSETS (Continued)

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

	2021	2020
	RMB'000	*RMB'000*
Leasehold land in PRC, carried at depreciated cost	**65,336**	66,786
Leased properties, carried at depreciated cost	**4,463**	3,457
Leased vehicles, carried at depreciated cost	**636**	867
	70,435	71,110

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

	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold lands	**1,450**	1,511
Leased properties	**1,621**	801
Leased vehicles	**231**	58
	3,302	2,370
Interest on lease liabilities *(note 7(a))*	**240**	78
Expenses relating to short-term leases	**664**	737
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**48**	33
COVID-19-related rent concessions received	**–**	(19)

During the year, additions to right-of-use assets were RMB2,627,000 (2020: RMB4,562,000). This amount related to capitalised lease payments payable under new tenancy agreements, relating to leased properties with an initial period of 3 years.

Details of total cash outflows for leases and the maturity analysis of lease liabilities are set out in notes 22(b) and 25, respectively.

Certain right-of-use assets with an aggregate carrying amount of RMB65,336,000 (2020: RMB66,786,000) were pledged as security for bank loans at 31 December 2021 (see note 23 (iii)).

15 INTANGIBLE ASSETS

	Exclusive rights for operation of online games	**Non-compete agreement**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January 2020, 31 December 2020 and 31 December 2021	6,800	2,700	9,500
Accumulated amortisation and impairment loss			
At 1 January 2020	(6,800)	(1,318)	(8,118)
Charge for the year	–	(499)	(499)
Impairment losses	–	(883)	(883)
At 31 December 2020 and 31 December 2021	(6,800)	(2,700)	(9,500)
Net book value			
At 31 December 2021 and 31 December 2021	–	–	–

The amortisation charge for the year is included in "cost of sales" in the consolidated statement of profit or loss.

No impairment loss was recognised for the year ended 31 December 2021. For the year ended 31 December 2020, as a result of an impairment review, the carrying amount of certain intangible assets exceeded their recoverable amount. Accordingly, impairment losses of RMB883,000 were recognised.

16 GOODWILL

	RMB'000
Cost	
At 1 January 2020, 31 December 2020 and 31 December 2021	138,153
Accumulated impairment loss	
At 1 January 2020, 31 December 2020 and 31 December 2021	(138,153)
Net book value	
At 31 December 2020 and 31 December 2021	–

17 INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**113,879**	191,813
Work in progress	**916,684**	622,302
Finished goods	**186,942**	129,468
Others	**206**	85
	1,217,711	943,668

Provisions of RMB1,440,000 (2020: RMB7,386,000) were made against those inventories with net realisable value lower than carrying value as at 31 December 2021. Except for the above, none of the inventories as at 31 December 2021 were carried at net realisable value (2020: Nil).

Certain inventories with aggregate carrying amount of RMB330,000,000 were pledged as security for bank loans at 31 December 2021 (2020: RMB330,000,000) (see note 23 (iii)).

18 TRADE AND OTHER RECEIVABLES

	2021 *RMB'000*	2020 *RMB'000*
Trade and bills receivable, net of credit loss allowance	**402,205**	378,355
Deposits for metal future contracts	**13,885**	28,993
Other debtors, net of credit loss allowance	**660**	660
Financial assets measured at amortised cost	**416,750**	408,008
VAT recoverable	**14,535**	5,170
Prepayments	**29,884**	28,006
	461,169	441,184

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 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 RMB56,370,000 (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 continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled, and has recognised the cash received on the transfer as cash advances under discounted bills.

18 TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis

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

	2021 RMB'000	2020 RMB'000
Within 3 months	394,826	353,671
Over 3 months but less than 6 months	6,911	17,520
Over 6 months but less than 1 year	30	2,965
Over 1 year	438	4,199
	402,205	378,355

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

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in the note 30(a).

As at 31 December 2021, the Group's bills receivables with aggregate carrying value of RMB30,000,000 (2020: RMB108,000,000) were pledged to banks for issuance of bank acceptance bills.

19 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	2021 RMB'000	2020 RMB'000
Derivative financial liabilities			
Metal future contracts	*(i)*	(3,889)	(21,672)

19 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(i) Metal future contracts

The notional contract value and the related terms of metal future contracts are summarised as follows:

	2021	2020
Sales contracts		
Volume *(tonnes)*	5,380	7,600
Notional contract value *(RMB'000)*	342,363	375,782
Market value *(RMB'000)*	(346,203)	(397,454)
Fair value *(RMB'000)*	(3,840)	(21,672)
Purchase contracts		
Volume *(tonnes)*	50	–
Notional contract value *(RMB'000)*	(3,149)	–
Market value *(RMB'000)*	3,100	–
Fair value *(RMB'000)*	(49)	–
Total *(RMB'000)*	(3,889)	(21,672)
Contract maturity date	January, February and March 2022	January, February, March and April 2021

The market value of metal future contracts is based on quoted market prices at the reporting date. As at 31 December 2021, fair value of the outstanding commodity future contracts was RMB3,889,000 (2020: RMB21,672,000), and net realised and unrealised losses, in aggregate of RMB59,708,000 were recognised in other expenses (2020: RMB101,786,000) for the year ended 31 December 2021.

20 STRUCTURED BANK DEPOSITS

The structured bank deposits are wealth management products amounting to nil as at 31 December 2021 (2020: RMB5,000,000).

21 RESTRICTED BANK DEPOSITS

Restricted bank deposits represent:

	2021	2020
	RMB'000	*RMB'000*
Guarantee deposits for issuance of commercial bills	**531,501**	277,320
Guarantee deposits for bank borrowings	**29,979**	–
Others	**4,748**	2,000
	566,228	279,320

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

All the balances of cash and cash equivalents at the end of the reporting period comprise cash at banks and on hand.

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest- bearing borrowings *RMB'000* *(Note 23)*	Lease liabilities *RMB'000* *(Note 25)*	Total *RMB'000*
At 1 January 2021	917,175	4,170	921,345
Changes from financing cash flows:			
Proceeds from interest-bearing borrowings	1,554,362	–	1,554,362
Repayments of interest-bearing borrowings	(1,554,518)	–	(1,554,518)
Capital element of lease rentals paid	–	(1,024)	(1,024)
Total changes from financing cash flows	(156)	(1,024)	(1,180)
Exchange adjustments	(3,300)	–	(3,300)
Other non-cash changes:			
Derecognition of discounted bills	(51,021)	–	(51,021)
Increase in lease liabilities from entering into new leases during the year	–	1,775	1,775
Net increase in accrued interest expenses	89	–	89
Total other non-cash changes	(50,932)	1,775	(49,157)
At 31 December 2021	862,787	4,921	867,708

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(a) Reconciliation of liabilities arising from financing activities (Continued)

	Interest- bearing borrowings *RMB'000* *(Note 23)*	Lease liabilities *RMB'000* *(Note 25)*	Total *RMB'000*
At 1 January 2020	845,941	1,740	847,681
Changes from financing cash flows:			
Proceeds from interest-bearing borrowings	1,556,353	–	1,556,353
Repayment of interest-bearing borrowings	(1,464,355)	–	(1,464,355)
Capital element of lease rentals paid	–	(840)	(840)
Total changes from financing cash flows	91,998	(840)	91,158
Exchange adjustments	(5,002)	–	(5,002)
Other non-cash changes:			
Derecognition of discounted bills	(16,951)	–	(16,951)
Increase in lease liabilities from entering into new leases during the year	–	4,392	4,392
Disposal of leases	–	(1,122)	(1,122)
Net increase in accrued interest expenses	1,189	–	1,189
Total other non-cash changes	(15,762)	3,270	(12,492)
At 31 December 2020	917,175	4,170	921,345

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(b) Total cash outflow for leases

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

	2021	2020
	RMB'000	*RMB'000*
Within operating cash flows	**952**	829
Within investing cash flows	**852**	248
Within financing cash flows	**1,024**	840
	2,828	1,917

These amounts relate to the following:

	2021	2020
	RMB'000	*RMB'000*
Lease rentals paid	**2,828**	1,917
	2,828	1,917

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(c) Disposal of subsidiaries

On 5 June 2020, the Group disposed of its 100% interest in its subsidiary named Shenzhen Duohao Network Technology Co., Ltd. ("**Duohao**") to an individual at a total consideration of RMB1. Also, on 7 July 2020, the Group disposed of its 100% interest in its subsidiary named Yingtan Xingye Electronic Metal Materials Co., Ltd. ("**Yingtan Xingye**") to a third party at a total consideration of RMB30,250,000.

Analysis of assets and liabilities at the date of disposals over which control was lost:

	Carrying Amount *RMB'000*
Property, plant and equipment	18,918
Right-of-use assets	4,481
Inventories	460
Trade and other receivables	6,204
Cash and cash equivalents	338
Trade and other payables	(162)
Net assets disposed of	30,239

Gains on disposals of subsidiaries:

	RMB'000
Consideration received	30,250
Net assets disposed of	(30,239)
Gains on disposals of subsidiaries	11

Analysis of net cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

	RMB'000
Consideration received in cash	30,250
Less: cash and cash equivalents disposed of	(338)
Net proceeds from disposal of subsidiaries	29,912

23 INTEREST-BEARING BORROWINGS

At 31 December 2021, interest-bearing borrowings were repayable based on scheduled repayment dates set out in the underlying loan agreements as follows:

	2021	2020
	RMB'000	*RMB'000*
Current		
Short-term secured bank loans	**372,540**	466,104
Unsecured bank loans	**73,500**	39,765
Bank advances under discounted bills	**288,577**	245,321
Current portion of non-current secured bank loans	**88,310**	77,195
	822,927	828,385
Non-current		
Secured bank loans	**39,860**	88,790
	862,787	917,175

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**822,927**	828,385
Over 1 year but less than 2 years	**–**	88,000
Over 2 years but less than 5 years	**39,860**	–
Over 5 years	**–**	790
	39,860	88,790
	862,787	917,175

23 INTEREST-BEARING BORROWINGS (Continued)

(ii) The Group's interest-bearing borrowings in the amount of RMB376,000,000 (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 year ended 31 December 2021, none of these covenants related to drawn down facilities were breached.

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

	2021 *RMB'000*	2020 *RMB'000*
Carrying amounts of pledged assets:		
Inventories	330,000	330,000
Property, plant and equipment	191,755	221,866
Right-of-use assets	65,336	66,786
Guarantee deposits for bank borrowings	29,979	–
	617,070	618,652

(iv) Unsecured bank loans as at 31 December 2021 bear interest at a rate of 4.35% (2020: 4.13% to 4.35%) per annum.

24 TRADE AND OTHER PAYABLES

	2021 *RMB'000*	2020 *RMB'000*
Trade and bills payable (ii)	927,444	604,109
Staff benefits payable	56,838	43,573
Payables for purchase of property, plant and equipment	21,023	27,214
Accrued expenses and others	18,549	24,616
Financial liabilities measured at amortised cost	1,023,854	699,512
Contract liabilities (i)	38,359	26,107
	1,062,213	725,619

24 TRADE AND OTHER PAYABLES (Continued)

(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 RMB26,107,000 was recognised for the year ended 31 December 2021 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 payable (which is included in trade and other payables), based on the invoice date or issuing date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**856,234**	531,573
Over 3 months but within 6 months	**15,979**	15,145
Over 6 months but within 1 year	**44,886**	48,664
Over 1 year	**10,345**	8,727
	927,444	604,109

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

(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.

25 LEASE LIABILITIES

At 31 December 2021, the lease liabilities were repayable as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**2,010**	1,146
After 1 year but within 2 years	**1,961**	1,102
After 2 years but within 5 years	**950**	1,922
	2,911	3,024
	4,921	4,170

26 DEFERRED INCOME

	2021	2020
	RMB'000	*RMB'000*
Government grants	**38,191**	38,721

All government grants received by the Group towards the cost of construction and improvement of production lines and other facilities, are recognised as deferred income initially, and amortised over the useful lives of the relevant assets.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Contributed surplus RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2020		77,417	322,514	6,164	407,248	3,348	61,439	878,130
Changes in equity for 2020:								
Loss for the year		–	–	–	–	–	(6,947)	(6,947)
Other comprehensive income		–	–	(25,379)	–	–	–	(25,379)
Total comprehensive income		–	–	(25,379)	–	–	(6,947)	(32,326)
Share Award Scheme:								
– Vested shares transferred to grantees	27(c)	–	–	–	–	(1,668)	79	(1,589)
Buy-back and cancellation of shares for contingent consideration	27(b)	(3,741)	(28,053)	–	–	–	–	(31,794)
At 31 December 2020		73,676	294,461	(19,215)	407,248	1,680	54,571	812,421

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

The Company (Continued)

	Note	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Contributed surplus RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021		73,676	294,461	(19,215)	407,248	1,680	54,571	812,421
Changes in equity for 2021:								
Loss for the year		–	–	–	–	–	(9,042)	(9,042)
Other comprehensive income		–	–	(12,446)	–	–	–	(12,446)
Total comprehensive income		–	–	(12,446)	–	–	(9,042)	(21,488)
Issuance of new shares		7,098	59,672	–	–	–	–	66,770
Share Award Scheme:								
– Granted shares under the share award scheme		–	–	–	–	5,308	–	5,308
– Vested shares transferred to grantees	27(c)	–	–	–	–	(6,791)	64	(6,727)
At 31 December 2021		80,774	354,133	(31,661)	407,248	197	45,593	856,284

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

Authorised

	2021		2020	
	Number of shares	**Amount**	Number of shares	Amount
		HKD'000		*HKD'000*
Ordinary shares of HKD0.1 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000

Ordinary shares issued and fully paid

	2021			2020		
	Number of shares	**Amount**	**Equivalent**	Number of shares	Amount	Equivalent
	'000	***HKD'000***	***RMB'000***	*'000*	*HKD'000*	*RMB'000*
At 1 January	**814,559**	**81,459**	**73,676**	855,559	85,556	77,417
Buy-back and cancellation of shares for contingent consideration	**–**	**–**	**–**	(41,000)	(4,097)	(3,741)
Share issued	**85,000**	**8,500**	**7,098**	–	–	–
At 31 December	**899,559**	**89,959**	**80,774**	814,559	81,459	73,676

On 29 July 2021, the Company issued 85,000,000 ordinary shares of HKD0.10 each to independent investors at HKD0.96 per share pursuant to a placing agreement. The proceeds of HKD8,500,000 (equivalent to RMB7,098,000) representing the par value, were credited to the Company's share capital. The excess of proceeds totalling HKD73,100,000 (equivalent to RMB61,040,000) over the par value of ordinary shares issued, before the share issue expenses of HKD1,632,000 (equivalent to RMB1,368,000), were credited to share premium.

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves

(i) Share premium

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

(ii) Contributed surplus

Contributed surplus represents the excess of the fair value of shares of Xingye Copper International (HK) Limited ("**Xingye Copper (HK)**") determined on the basis of the consolidated net assets of Xingye Copper (HK) at the date of reorganisation of the Group (the "**Reorganisation**") over the nominal value of shares issued by the Company in exchange thereof.

(iii) Capital reserve

Capital reserve represents the excess of the aggregate of the share capital of the subsidiaries acquired and the equity of a predecessor entity with its business transferred to the Group pursuant to the Reorganisation, amounting to RMB259,726,000, over the consideration paid by the Company of HKD1,000 (equivalent to RMB968), representing the nominal value of the shares issued by the Company in exchange thereof.

In December 2019, the Group further acquired an additional 2% equity interest of Ningbo Xingye Shengtai Group Ltd., at a consideration of RMB21,300,000, resulting in a decrease in capital reserve of RMB1,666,000.

(iv) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the Articles of Association of the companies comprising the Group which are established in the PRC. Appropriations to the reserves were approved by the respective boards of directors.

For the entities concerned, statutory surplus reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of PRC statutory reserves after such conversion is not less than 25% of the registered capital.

(v) Share-based compensation reserve

Share-based compensation reserve represents the value of employee services in respect of awarded shares under the Share Award Scheme as set out in note 29(c).

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves (Continued)

(vi) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings 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. The Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

The Group's gearing ratio at 31 December 2021 and 2020 was as follows:

	31 December 2021	31 December 2020
Gearing ratio	**28.74%**	36.23%

(d) Dividends

No final dividend was declared to equity shareholders of the Company for the year ended 31 December 2021 (2020: Nil).

28 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 *RMB'000*	2020 *RMB'000*
Non-current assets		
Investments in subsidiaries	**418,574**	416,059
Interests in subsidiaries *(note 29)*	**418,574**	416,059
Current assets		
Amounts due from subsidiaries	**434,150**	394,664
Other receivables	**37**	32
Cash and cash equivalents	**3,935**	2,078
	438,122	396,774
Current liabilities		
Other payables	**412**	412
	412	412
Net current assets	**437,710**	396,362
Net assets	**856,284**	812,421
Capital and reserves		
Share capital *(note 27(b))*	**80,774**	73,676
Reserves	**775,510**	738,745
Total equity	**856,284**	812,421

29 INVESTMENTS IN SUBSIDIARIES

(a) Subsidiaries

All of the following entities are subsidiaries as defined in note 2(e) and have been consolidated into the Group's financial statements. The class of shares held is ordinary shares unless otherwise stated.

Name of company	Place and date of establishment/ incorporation	Percentage of equity attributable to the Company		Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
		Direct	Indirect			
Xingye Copper International (BVI) Limited ("**Xingye Copper (BVI)**")	British Virgin Islands, July 2007	100%	–	USD1/ USD1	Investment holding	Limited liability company
Xingye Copper International (HK) Limited ("**Xingye Copper (HK)**")	Hong Kong SAR, July 2007	–	100%	HKD4,000,000/ HKD4,000,000	Investment holding and trading of high precision copper plates and strips	Limited liability company
Ningbo Xingye Shengtai Group Ltd. (formerly known as Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd.) ("**Shengtai Group**") 寧波興業盛泰集團有限公司	The PRC, November 2001	–	99.8%	RMB700,000,000/ RMB700,000,000	Manufacture and sale of high precision copper plates and strips	Limited liability company
Ningbo Hangzhou Bay New Zone Qiangtai Metal Materials Co., Ltd. ("**Qiangtai**") 寧波杭州灣新區強泰金屬材料有限公司	The PRC, May 2010	–	100%	RMB8,285,250/ RMB8,285,250	Trading of high precision copper plates and strips	Limited liability company
Ningbo Xingye Xintai New Electronic Materials Co., Ltd. ("**Ningbo Xintai**")) 寧波興業鑫泰新型電子材料有限公司	The PRC, March 2011	–	100%	RMB200,000,000/ RMB200,000,000	Manufacture and sale of high precision copper plates and strips	Limited liability company
Ningbo Xinghong Property Service Co., Ltd. ("**Xinghong**") 寧波興宏物業服務有限公司	The PRC, November 2015	–	100%	RMB1,000,000/ RMB1,000,000	Property services	Limited liability company
Xingye Investment Holdings (HK) Limited ("**Investment (HK)**")	Hong Kong SAR, August 2015	–	100%	HKD1/ HKD1	Investment holding	Limited liability company
Xingye Investment Holdings Limited ("**Investment**")	British Virgin Islands, June 2015	–	100%	USD1/ USD1	Investment holding	Limited liability company

29 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
Funnytime Limited ("**Funnytime**")	British Virgin Islands, October 2015	–	100%	USD0/ USD1,000	Investment holding	Limited liability company
Soul Dargon Limited	Hong Kong SAR, October 2015	–	100%	HKD0/ HKD1	Developing, publishing and operating online games	Limited liability company
Hefei Yueyou Network Technology Co., Ltd. ("**Yueyou**") 合肥悦游網絡科技有限公司	The PRC, January 2016	–	100%	RMB1,000,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Hefei Zhangyue Network Technology Co., Ltd.(" **Hefei Zhangyue**") *(note (b))* 合肥掌悦網絡科技有限公司	The PRC, July 2015	–	100%	RMB1,000,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Shenzhen Zhangyue Network Technology Co., Ltd. *(note (b))* 深圳掌悦網絡科技有限公司	The PRC, August 2015	–	100%	RMB1,000,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Ningbo Xingqi Trade Co., Ltd. 寧波興齊貿易有限公司	The PRC, September 2017	–	100%	RMB20,000,000/ RMB20,000,000	Purchasing of raw materials and trading of high precision copper plates and strips	Limited liability company
Ningbo Xinyue Alloy Material Co., Ltd. 寧波鑫悦合金材料有限公司	The PRC, March 2018	–	100%	RMB100,000,000/ RMB100,000,000	Manufacture and sale of high precision copper plates and strips	Limited liability company
Ningbo Longao Network Technology Co., Ltd. ("**Longao**") 寧波龍傲網絡科技有限公司	The PRC, June 2020	–	100%	RMB0/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company

29 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
Ningbo Longhui Network Technology Co., Ltd. 寧波龍輝網絡科技有限公司	The PRC, July 2020	–	100%	RMB0/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Shenzhen Longhun Network Technology Co., Ltd. 深圳龍魂網絡科技有限公司	The PRC, August 2020	–	100%	RMB1,000,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Shanghai Xingronghui Industrial Co., Ltd. 上海興榮惠實業有限公司	The PRC, July 2021	–	100%	RMB3,000,000/ RMB10,000,000	Purchasing of raw materials and trading of high precision copper plates and strips	Limited liability company

i) The English translation of the names of the companies registered in the PRC above is for reference only. The official names of these companies are in Chinese. These PRC companies are all limited liability companies.

ii) The Group liquidated its subsidiaries namely Shenzhen Youwei Network Technology Co., Ltd., Shenzhen Doubao Network Technology Co., Ltd. and Shenzhen Yueban Network Technology Co., Ltd. in 2021.

29 INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Entities controlled through contractual arrangements

The Group's online gaming business is carried out through several domestic operating companies, incorporated in the PRC, namely Hefei Zhangyue Network Technology Co., Ltd., Shenzhen Zhangyue Network Technology Co., Ltd., Ningbo Longhui Network Technology Co.,Ltd. and Shenzhen Longhun Network Technology Co., Ltd., which are collectively defined as the "PRC Operating Entities" hereafter.

Pursuant to applicable PRC laws and regulations, foreign investors are restricted from conducting value-added telecommunications services or holding an equity interest in an entity conducting such services in China. In order to enable the Company to acquire the online games business through its overseas incorporated subsidiaries, two wholly foreign owned enterprises, Yueyou and Longao, were incorporated in the PRC in January 2016 and July 2020, respectively by Funnytime.

Yueyou and Longao have entered into a series of contractual arrangements (the "**Contractual Arrangements**") with the PRC Operating Entities and their respective equity holders, which enable Yueyou and Longao to:

– exercise effective financial and operational control over the PRC Operating Entities;

– exercise equity holders' voting rights of the PRC Operating Entities;

– receive substantially all of the economic interest returns generated by the PRC Operating Entities in consideration for the business support, technical and consulting services provided by Yueyou and Longao, at the discretion of Yueyou and Longao;

– obtain an irrevocable and exclusive right with an initial period of 10 years to purchase the entire equity interest in the PRC Operating Entities from the respective equity holders. This right automatically renews upon expiry until Yueyou or Longao specifies a renewal term;

– obtain a pledge over the entire equity interest of the PRC Operating Entities from their respective equity holders as collateral security for all of the PRC Operating Entities' payments due to Yueyou and Longao and to secure performance of PRC Operating Entities' obligations under the Contractual Arrangements.

As a result of the Contractual Arrangements, after the acquisition of Funnytime, the Company has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities and is considered to control the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as consolidated structured entities under International Financial Reporting Standards ("**IFRSs**"). The Group has included the financial position and results of the PRC Operating Entities in the consolidated financial statements since the Acquisition Date.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operating Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Operating Entities. However, the Company believes that the Contractual Arrangements are in compliance with relevant PRC laws and regulations and are legally enforceable.

29 INVESTMENTS IN SUBSIDIARIES (Continued)

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

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

The Company has appointed a trustee for administration of the Share Award Scheme (the "**Trustee**"). The principal activity of the Trustee is administrating and holding the Company's shares for the Share Award Scheme for the benefit of the Company's eligible employees. Pursuant to the Share Award Scheme, the Company's shares will be purchased by the Trustee in the market out of cash contributed by the Company and held in the Trust for relevant employees until such shares are vested in the relevant beneficiary in accordance with the provisions of the Share Award Scheme at no cost. The total number of 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 2021, the Company had contributed HKD21,010,000 (equivalent to RMB17,624,000) (2020: 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 2021, the Trustee had purchased 21,622,000 shares (2020: 9,477,000 shares) of the Company at a total cost (including related transaction costs) of HKD20,887,000 (equivalent to RMB17,610,000) (2020: HKD7,967,000 (equivalent to RMB6,884,000)).

29 INVESTMENTS IN SUBSIDIARIES (Continued)

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

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

	2021			2020		
	Average purchase price *HKD*	**No. of shares held**	**Value** *RMB'000*	Average purchase price *HKD*	No. of shares held	Value *RMB'000*
At 1 January	**0.81**	**1,295,000**	**934**	0.81	3,497,000	2,523
Shares purchased during the year	**1.06**	**12,145,000**	**10,726**	–	–	–
Shares vested during the year	**–**	**(7,754,000)**	**(6,727)**	–	(2,202,000)	(1,589)
At 31 December	**0.97**	**5,686,000**	**4,933**	0.81	1,295,000	934

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

According to the Resolution of the Board of the Company on 13 December 2017, 10,060,000 ordinary shares held under the Share Award Scheme were granted to all the directors in office 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.

29 INVESTMENTS IN SUBSIDIARIES (Continued)

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

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

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 tranche 2 and tranche 3. The modification was not beneficial to the grantees, therefore, there was no impact on the fair value cost of the awarded shares.

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

Accordingly, employee service cost of RMB5,308,000 (2020: nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2021.

(ii) Movements in the number of awarded shares for the years ended 31 December 2021 and 2020 are as follows:

	Number of awarded shares
At 1 January 2020	4,684,000
Vested and transferred during the year	(2,202,000)
Forfeiture	(154,000)
At 31 December 2020	2,328,000
Granted	10,900,000
Vested and transferred during the year	(7,754,000)
Forfeiture	(24,000)
At 31 December 2021	5,450,000

During the year ended 31 December 2021, 5,450,000 out of the 10,900,000 award shares with a fair value of RMB10,225,000 (2020: nil) were granted to 6 Directors and 5 employees of the Company.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit risks, liquidity risks, interest rate risks, currency risks and commodity price risks arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risks are primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, bank deposits with maturity over three months, restricted bank deposits, structured bank deposits, derivative financial assets, bills receivables and deposits for metal future contracts is limited because the counterparties are banks and financial institutions with high credit ratings, for which the Group considers to have low credit risk. In respect of other debtors and other non-current assets, the Group has assessed that the expected credit loss rate for these receivables is immaterial and no loss allowance provision for these receivables was recognised during the reporting period. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 8% (2020: 9%) and 25% (2020: 29%) of the total trade receivables were due from the Group's largest customer and five largest customers respectively.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 7 to 90 days from the date of billing. Debtors with balances that are more than the credit term given by the Group are generally requested to settle all outstanding balances before any further credit is granted. In order to mitigate credit risk, the Group purchased credit insurance from an insurance company for the trade receivables of major customers.

The Group does not provide any guarantees which would expose the Group to credit risk.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases.

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

(a) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables based on different business lines:

Copper products related:

	2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	***RMB'000***	***RMB'000***
Current (not past due)	**1.5%**	**333,380**	**5,040**
1 – 90 days past due	**3.0%**	**2,166**	**65**
91 – 180 days past due	**4.2%**	**–**	**–**
More than 180 days past due	**18.4%**	**462**	**85**
		336,008	**5,190**

	2020		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.5%	286,363	4,196
1 – 90 days past due	3.1%	4,252	131
91 – 180 days past due	4.4%	–	–
More than 180 days past due	19.6%	8,299	1,623
		298,914	5,950

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

(a) Credit risk (Continued)

Trade receivables (Continued)

Online games related:

	2021 Expected loss rate %	2021 Gross carrying amount RMB'000	2021 Loss allowance RMB'000
Current (not past due)	**0.0%**	**2,799**	**–**
1 – 90 days past due	**5.0%**	**1,373**	**69**
91 – 180 days past due	**40.0%**	**–**	**–**
More than 180 days past due	**100.0%**	**9,849**	**9,849**
		14,021	**9,918**

	2020 Expected loss rate %	2020 Gross carrying amount RMB'000	2020 Loss allowance RMB'000
Current (not past due)	0.0%	4,193	–
1 – 90 days past due	5.0%	1,667	83
91 – 180 days past due	40.0%	5	2
More than 180 days past due	100.0%	9,904	9,901
		15,769	9,986

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

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

(a) Credit risk (Continued)

Trade receivables (Continued)

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

	2021 *RMB'000*	2020 *RMB'000*
Balance at 1 January	**15,936**	21,174
Amounts written off during the year	**(2,594)**	(8,083)
Impairment losses recognised during the year	**1,766**	2,845
Balance at 31 December	**15,108**	15,936

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

– decrease in amounts past due over 180 days resulted in a decrease in loss allowance of RMB1,590,000 (2020: RMB4,797,000).

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with any lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

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

(b) Liquidity risk (Continued)

	2021 Contractual undiscounted cash outflows					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 year but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount at 31 December *RMB'000*
Interest-bearing borrowings	833,016	1,714	44,481	–	879,211	862,787
Trade and other payables	1,020,536	–	–	–	1,020,536	1,020,536
Lease liabilities	2,102	2,038	1,074	–	5,214	4,921
	1,855,654	3,752	45,555	–	1,904,961	1,888,244

	2020 Contractual undiscounted cash outflows					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 year but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount at 31 December *RMB'000*
Interest-bearing borrowings	841,214	90,233	102	814	932,363	917,175
Trade and other payables	696,466	–	–	–	696,466	696,466
Lease liabilities	1,199	1,185	2,194	–	4,578	4,170
	1,538,879	91,418	2,296	814	1,633,407	1,617,811

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

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign currency. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. Changes in exchange rates affect the Renminbi value of sales proceeds of products, the settlement of liabilities for purchase and repayment of loans that are denominated in foreign currencies.

Exposure to currency risk

The following table details the Group's exposures at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

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

(c) Market risk (Continued)

(i) Currency risk (Continued)

Exposure to currency risk (Continued)

	2021			2020		
	United Stated Dollars RMB'000	Euros RMB'000	Japanese Yen RMB'000	United Stated Dollars RMB'000	Euros RMB'000	Japanese Yen RMB'000
Trade and other receivables	91,295	–	–	66,427	–	–
Cash and cash equivalents	133,615	9	–	67,900	–	–
Restricted bank deposits	49,093	–	–	6,525	–	–
Interest-bearing borrowings	(79,072)	–	–	(144,302)	–	–
Trade and other payables	(171,739)	(9,315)	(306)	(90,934)	(10,580)	(815)
Exposure arising from recognised assets and liabilities	23,192	(9,306)	(306)	(94,384)	(10,580)	(815)

	Average rate		Rate at reporting date	
	2021	2020	2021	2020
USD1	6.4515	6.8976	6.3757	6.5249
EUR 1	7.6293	7.8755	7.2197	8.0250
JPY 1	0.0587	0.0646	0.0554	0.0632

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

(c) Market risk (Continued)

(i) Currency risk (Continued)

Exposure to currency risk (Continued)

Sensitivity analysis

A 5 percent strengthening of the Renminbi against the following currencies at 31 December 2021 would have changed profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2020.

	2021	2020
	RMB'000	*RMB'000*
Effect on profit after tax and equity (increase/(decrease))		
USD	**(870)**	3,539
EUR	**349**	397
JPY	**11**	31

A 5 percent weakening of the Renminbi against the above currencies at 31 December 2021 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings and lease liabilities.

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

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows.

	2021 *RMB'000*	2020 *RMB'000*
Fixed rate borrowings		
– Lease liabilities *(note 25)*	**4,921**	4,170
– Interest-bearing borrowings *(note 23)*	**545,057**	646,078
Variable rate borrowings		
– Interest-bearing borrowings *(note 23)*	**317,730**	271,097
	867,708	921,345

Fair value sensitivity analysis for fixed rate borrowings

The Group does not account for any fixed-rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate borrowings

As at 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax for the year and consolidated equity by approximately RMB2,383,000 (2020: RMB2,033,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and consolidated equity that would arise assuming that the change in interest rates had occurred at the reporting date and had been applied to re-measure those floating rate non-derivative instruments held by the Group which expose the Group to cash flow interest rate risk at the reporting date. The impact on the Group's profit after tax and consolidated equity is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis as 2020.

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

(c) Market risk (Continued)

(iii) Commodity price risk

The Group uses future contracts traded on the Shanghai Futures Exchange and London Metal Exchange to hedge against price fluctuations of raw materials, mainly copper. The future contracts are marked to market at the reporting date and the corresponding unrealised holding gains/losses are recorded in profit or loss. For details of the exposure to future contracts, please refer to note 19.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs

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

(d) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

	Fair value at 31 December 2021	**Fair value measurements as at 31 December 2021 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Liabilities:				
Derivative financial instruments: – Future contracts	**(3,889)**	**(3,889)**	–	–

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
Structured bank deposits	5,000	–	5,000	–
Liabilities:				
Derivative financial instruments:				
– Future contracts	(21,672)	(21,672)	–	–

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

(d) Fair value measurement (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at the end of the reporting period.

31 COMMITMENTS

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

	2021	2020
	RMB'000	*RMB'000*
Contracted for	**480,691**	570,095

32 RELATED PARTY TRANSACTIONS

Key management personal remuneration

Remuneration of key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Short-term employee benefits	**5,568**	6,682
Equity-settled share-based payments	**4,043**	–
Retirement scheme contributions	**30**	7
	9,641	6,689

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2021, the Directors consider the immediate and ultimate controlling parties of the Group to be various parties including 4 entities and 3 individuals. The 4 entities do not produce financial statements available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimate*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	No mandatory effective date yet determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

RESULTS

	2021 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*	2018 *RMB'000*	2017 *RMB'000*
Revenue	**6,949,881**	4,534,947	4,253,075	4,996,057	4,495,001
Gross profit	**790,468**	536,895	401,807	418,378	524,434
Profit attributable to equity shareholders of the Company	**276,977**	150,832	59,262	27,529	135,544

EARNINGS PER SHARE

	2021	2020	2019	2018	2017
Basic earnings per share [1] *(RMB)*	**0.32**	0.18	0.07	0.03	0.16
Diluted earnings per share [1] *(RMB)*	**0.32**	0.18	0.07	0.03	0.16

ASSETS, LIABILITIES AND EQUITY

	2021 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*	2018 *RMB'000*	2017 *RMB'000*
Non-current assets	**967,917**	924,590	1,003,367	997,383	1,177,371
Current assets	**2,605,024**	2,030,622	1,549,482	1,389,645	1,478,085
Total assets	**3,572,941**	2,955,212	2,552,849	2,387,028	2,655,456
Non-current liabilities	**85,462**	132,035	121,364	94,692	313,239
Current liabilities	**1,918,608**	1,592,120	1,318,640	1,217,972	1,302,976
Total liabilities	**2,004,070**	1,724,155	1,440,004	1,312,664	1,616,215
Net current assets/(liabilities)	**686,416**	438,502	230,842	171,673	175,109
Total assets less current liabilities	**1,654,333**	1,363,092	1,234,209	1,169,056	1,352,480
Total equity attributable to equity shareholders of the Company	**1,566,345**	1,228,897	1,110,928	1,051,913	1,012,172
Non-controlling interests	**2,526**	2,160	1,917	22,451	27,069

FIVE YEARS FINANCIAL SUMMARY

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2021	2020 (Restated)	2019 (Restated)	2018 (Restated)	2017 (Restated)
EBITDA *(RMB'000)*	**495,026**	307,014	216,481	193,123	310,799
Profitability ratios:					
Gross profit margin (2) *(%)*	**11.4%**	11.8%	9.4%	8.4%	11.7%
Operating profit margin (3) *(%)*	**5.3%**	3.7%	2.5%	1.0%	4.8%
Net profit margin (4) *(%)*	**4.0%**	3.3%	1.4%	0.6%	3.0%
EBITDA margin (5) *(%)*	**7.1%**	6.8%	5.1%	3.9%	6.9%
Rate of return on equity (6) *(%)*	**17.7%**	12.3%	5.3%	2.6%	13.4%
Liquidity ratios:					
Current ratio (7) *(times)*	**1.4**	1.3	1.2	1.1	1.1
Quick ratio (8) *(times)*	**0.7**	0.7	0.6	0.6	0.6
Inventory turnover (9) *(days)*	**45**	48	42	37	40
Trade receivable turnover (10) *(days)*	**20**	28	27	28	34
Trade payable turnover (11) *(days)*	**45**	46	36	34	53
Capital adequacy ratios:					
Gearing ratio (12) *(%)*	**28.7%**	36.2%	38.1%	36.2%	40.6%
Net gearing ratio (13) *(%)*	**4.2%**	34.1%	41.7%	43.5%	56.9%
Interest coverage ratio (14) *(times)*	**13.6**	10.5	6.0	5.0	7.3

Notes:

(1) The basic earnings per share and diluted earnings per share are equal to the profit attributable to equity shareholders of the Company divided by the weighted average number of ordinary share in issue during the year and weighted average number of ordinary share (diluted), respectively.

(2) Gross profit margin is equal to gross profit divided by turnover times 100%.

(3) Operating profit margin is equal to operating profit divided by turnover times 100%.

(4) Net profit margin is equal to profit attributable to equity shareholders of the Company divided by turnover times 100%.

(5) EBITDA margin is equal to EBITDA divided by turnover times 100%.

(6) Rate of return on equity is equal to profit attributable to equity shareholders of the Company divided by total equity attributable to equity shareholders of the Company times 100%.

(7) Current ratio is equal to current assets divided by current liabilities.

(8) Quick ratio is equal to current assets net of inventories divided by current liabilities.

(9) Inventory turnover is equal to the average of the beginning and ending inventory volume for the year divided by the sales volume times 365 days.

(10) Trade receivable turnover is equal to the average of the beginning and ending trade and bills receivables for the year divided by turnover times 365 days.

(11) Trade payable turnover is equal to the average of the beginning and ending trade and bills payables for the year divided by cost of sales times 365 days.

(12) Gearing ratio is equal to net debt (total interest-bearing borrowings and lease liabilities less cash and cash equivalents) divided by total capital (equity attributable to equity shareholders of the Company plus net debt) times 100%.

(13) Net gearing ratio is equal to net debt net of restricted bank deposits divided by total equity attributable to equity shareholders of the Company times 100%.

(14) Interest coverage ratio is equal to EBITDA divided by interest expenses.