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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 505)

**ANNUAL RESULTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2021**

The board of directors (the “**Board**”) of Xingye Alloy Materials Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2021*

*(Expressed in RMB)*

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue</b>	4	<b>6,949,881</b>	4,534,947
Cost of sales		<u>(6,159,413)</u>	<u>(3,998,052)</u>
<b>Gross profit</b>		<u><b>790,468</b></u>	<u>536,895</u>
Other income	5	<b>15,409</b>	25,045
Distribution expenses		<b>(61,463)</b>	(42,604)
Administrative expenses		<b>(313,978)</b>	(242,173)
Other expenses	6	<u><b>(62,026)</b></u>	<u>(107,326)</u>

	<i>Note</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Profit from operations</b>		<b>368,410</b>	169,837
Finance income		<b>20,483</b>	34,647
Finance costs		<u>(35,031)</u>	<u>(29,957)</u>
<b>Net finance (costs)/income</b>	7(a)	<u>(14,548)</u>	<u>4,690</u>
<b>Profit before taxation</b>		<b>353,862</b>	174,527
Income tax	8	<u>(76,519)</u>	<u>(23,452)</u>
<b>Profit for the year</b>		<u><b>277,343</b></u>	<u>151,075</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>276,977</b>	150,832
Non-controlling interests		<u>366</u>	<u>243</u>
<b>Profit for the year</b>		<u><b>277,343</b></u>	<u>151,075</u>
<b>Earnings per share</b>			
Basic ( <i>RMB</i> )	9(a)	<u><b>0.32</b></u>	<u>0.18</u>
Diluted ( <i>RMB</i> )	9(b)	<u><b>0.32</b></u>	<u>0.18</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Expressed in RMB)

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		866,912	817,625
Right-of-use assets	10	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		17,164	26,290
		<u>967,917</u>	924,590
<b>Current assets</b>			
Inventories	12	1,217,711	943,668
Trade and other receivables	13	461,169	441,184
Structured bank deposits		–	5,000
Restricted bank deposits		566,228	279,320
Bank deposits with original maturity over three months		124,072	138,150
Cash and cash equivalents		235,844	223,300
		<u>2,605,024</u>	2,030,622
<b>Current liabilities</b>			
Derivative financial instruments		3,889	21,672
Interest-bearing borrowings	14	822,927	828,385
Trade and other payables	15	1,062,213	725,619
Lease liabilities	16	2,010	1,146
Income tax payable		27,569	15,298
		<u>1,918,608</u>	1,592,120
<b>Net current assets</b>		<u>686,416</u>	438,502
<b>Total assets less current liabilities</b>		<u>1,654,333</u>	1,363,092
<b>Non-current liabilities</b>			
Interest-bearing borrowings	14	39,860	88,790
Lease liabilities	16	2,911	3,024
Deferred income		38,191	38,721
Deferred tax liabilities		4,500	1,500
		<u>85,462</u>	132,035
<b>NET ASSETS</b>		<u>1,568,871</u>	1,231,057
<b>CAPITAL AND RESERVES</b>			
Share capital		80,774	73,676
Reserves		1,485,571	1,155,221
<b>Total equity attributable to equity shareholders of the Company</b>		<u>1,566,345</u>	1,228,897
<b>Non-controlling interests</b>		<u>2,526</u>	2,160
<b>TOTAL EQUITY</b>		<u>1,568,871</u>	1,231,057

## 1 REPORTING ENTITY AND BACKGROUND INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2007 under the Companies 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. The principal activities of the Group are the manufacture and sales of high precision copper plates and strips, trading of raw materials, and provision of processing services. After the acquisition of an online gaming business in August 2016, the Group's activities also include developing, publishing and operating online games and provision of related services.

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

## 2 STATEMENT OF COMPLIANCE

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

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

## 3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to 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.

## 4 REVENUE AND SEGMENT REPORTING

### (a) Revenue

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

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

#### (i) Disaggregation of revenue

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
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
	<u>6,939,542</u>	<u>4,519,721</u>
Online games related:		
– Publishing and operating online games	9,412	13,077
– Others	927	2,149
	<u>10,339</u>	<u>15,226</u>
	<u><b>6,949,881</b></u>	<u><b>4,534,947</b></u>
Disaggregated by timing of revenue recognition		
– Point in time	6,939,542	4,519,721
– Over time	10,339	15,226
	<u><b>6,949,881</b></u>	<u><b>4,534,947</b></u>

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.

***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.

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

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

## 5 OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
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	<u>3,602</u>	<u>6,782</u>
	<u><b>15,409</b></u>	<u><b>25,045</b></u>

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).

## 6 OTHER EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment losses on property, plant and equipment	–	1,248
Impairment losses on intangible assets	–	883
Credit loss allowance on trade and other receivables ( <i>note 13</i> )	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	<u>466</u>	<u>323</u>
	<u><b>62,026</b></u>	<u><b>107,326</b></u>

## 7 PROFIT BEFORE TAXATION

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

### (a) Net finance (costs)/income

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income on bank deposits	18,428	14,397
Changes in fair values of contingent consideration receivables and contingent consideration payables ( <i>note 15(iii)</i> )	–	9,838
Net foreign exchange gains	1,847	9,722
Gains from structured bank deposits	<u>208</u>	<u>690</u>
Finance income	----- 20,483	----- 34,647
Interest expenses on interest-bearing borrowings	(36,109)	(29,227)
Interest on lease liabilities	(240)	(78)
Less: interest expenses capitalised	<u>1,318</u>	<u>–</u>
Net interest expenses recognised in profit or loss	(35,031)	(29,305)
Losses from foreign exchange forward contracts	<u>–</u>	<u>(652)</u>
Finance costs	----- (35,031)	----- (29,957)
Net finance (costs)/income	<u><u>(14,548)</u></u>	<u><u>4,690</u></u>

### (b) Personnel costs

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

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

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

(c) **Other items**

	<b>2021</b>	2020
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
Cost of inventories*	<b>6,157,001</b>	3,992,690
Depreciation		
– Property, plant and equipment	<b>102,831</b>	100,313
– Right-of-use assets ( <i>note 10</i> )	<b>3,302</b>	2,370
Amortisation		
– Intangible assets	–	499
Impairment losses on		
– Trade and other receivables	<b>1,766</b>	2,845
– Property, plant and equipment	–	1,248
– Intangible assets	–	883
Research and development expenditure (included in administrative expenses)	<b>189,767</b>	133,210
Auditor’s remuneration-audit services	<b><u>2,380</u></b>	<u>2,330</u>

\* 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

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

- (i) Pursuant to the tax rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.
- (ii) The applicable profits tax rate of the Group's subsidiaries incorporated in Hong Kong was 16.5% (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, 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.

## 9 BASIC AND DILUTED EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of 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 18)	297,414	108,592
Effect of contingent consideration shares buy-back and cancelled	–	(28,980,822)
	<u>–</u>	<u>(28,980,822)</u>
Weighted average number of ordinary shares in issue at 31 December	<u>852,683,874</u>	<u>823,188,943</u>

### (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 18)	8,678	1,811,536
	<u>8,678</u>	<u>1,811,536</u>
Weighted average number of ordinary shares at 31 December (diluted)	<u>852,692,552</u>	<u>825,000,479</u>

## 10 RIGHT-OF-USE ASSETS

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

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Leasehold land in PRC, carried at depreciated cost	<b>65,336</b>	66,786
Leased properties, carried at depreciated cost	<b>4,463</b>	3,457
Leased vehicles, carried at depreciated cost	<b>636</b>	867
	<u><b>70,435</b></u>	<u>71,110</u>

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.

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 14(iii)).

## 11 GOODWILL

	<i>RMB'000</i>
<b>Cost:</b>	
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>138,153</u>
<b>Accumulated impairment loss:</b>	
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>(138,153)</u>
<b>Net book value:</b>	
At 31 December 2020 and 31 December 2021	<u>—</u>

## 12 INVENTORIES

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

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 14(iii)).

## 13 TRADE AND OTHER RECEIVABLES

	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
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
<b>Financial assets measured at amortised cost</b>	<b>416,750</b>	408,008
VAT recoverable	14,535	5,170
Prepayments	29,884	28,006
	<u>461,169</u>	<u>441,184</u>

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

As at 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.

### 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:

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

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

As at 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.

## 14 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 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Current</b>		
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	<u>88,310</u>	<u>77,195</u>
	<b>822,927</b>	828,385
<b>Non-current</b>		
Secured bank loans	<u>39,860</u>	<u>88,790</u>
	<b><u>862,787</u></b>	<b><u>917,175</u></b>

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

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

(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:

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Carrying amounts of pledged assets:		
Inventories	<b>330,000</b>	330,000
Property, plant and equipment	<b>191,755</b>	221,866
Right-of-use assets	<b>65,336</b>	66,786
Guarantee deposits for bank borrowings	<b>29,979</b>	—
	<b><u>617,070</u></b>	<b><u>618,652</u></b>

- (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.

## 15 TRADE AND OTHER PAYABLES

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Trade and bills payable (ii)	<b>927,444</b>	604,109
Staff benefits payable	<b>56,838</b>	43,573
Payables for purchase of property, plant and equipment	<b>21,023</b>	27,214
Accrued expenses and others	<b>18,549</b>	24,616
<b>Financial liabilities measured at amortised cost</b>	<b>1,023,854</b>	699,512
Contract liabilities (i)	<b>38,359</b>	26,107
	<b><u>1,062,213</u></b>	<b><u>725,619</u></b>

- (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 payables (which is included in trade and other payables), based on the invoice date or issuing date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
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	<u>10,345</u>	<u>8,727</u>
	<u><u>927,444</u></u>	<u><u>604,109</u></u>

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

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

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

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

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

## 16 LEASE LIABILITIES

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

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

## 17 DIVIDENDS

No dividend was declared to equity shareholders of the Company for the year ended 31 December 2021 (2020: Nil).

## 18 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

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

As the Company has the power to govern the financial and operating policies of the Trust and can derive benefits from the contributions of the employees who have been awarded the shares of the Company (the “**Awarded Shares**”) through their continued employment with the Group, the Group is required to consolidate the Trust.

As at 31 December 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)).

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

	2021			2020		
	Average purchase price <i>HKD</i>	No. of shares held	Value <i>RMB'000</i>	Average purchase price <i>HKD</i>	No. of shares held	Value <i>RMB'000</i>
At 1 January	0.81	1,295,000	934	0.81	3,497,000	2,523
Shares 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	<u>0.97</u>	<u>5,686,000</u>	<u>4,933</u>	<u>0.81</u>	<u>1,295,000</u>	<u>934</u>

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

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

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

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

- (ii) Movements in the number of awarded shares for the years ended 31 December 2021 and 2020 were as follows:

	<b>Number of awarded shares</b>
<b>At 1 January 2020</b>	-----4,684,000
Vested and transferred during the year	(2,202,000)
Forfeiture	<u>(154,000)</u>
<b>At 31 December 2020</b>	<u><u>2,328,000</u></u>
Granted	10,900,000
Vested and transferred during the year	(7,754,000)
Forfeiture	<u>(24,000)</u>
<b>At 31 December 2021</b>	<u><u>5,450,000</u></u>

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.

## **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%.

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%.

### **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 Dargon 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 announcement, the Group had not experienced any difficulty in raising funds by securing and rolling over short-term loans borrowed from various banks in the PRC, which were renewed on an annual basis in accordance with local market practice.

The Group is able to generate cash from operating activities, has good credit standing and relationships with principal lending banks, and possesses available undrawn banking facilities together with bank deposits of RMB1,968.8 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 announcement.

## **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 POLICES**

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

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

The principal operating companies of the Group are situated in the PRC, whilst the Company 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.

## **PRE-EMPTIVE RIGHTS**

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

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions that were in force in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2021.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **REVIEW BY AUDIT COMMITTEE**

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

## **SCOPE OF WORK OF KPMG**

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## **FINAL DIVIDEND**

The Board does not recommend payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the identity of the shareholders of the Company who are entitled to attend and vote at the forthcoming annual general meeting to be held on 17 June 2022, 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.

## **PUBLICATION OF 2021 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the Company's website ([www.xingyealloy.com](http://www.xingyealloy.com)) and the Stock Exchange's designated website ([www.hkexnews.hk](http://www.hkexnews.hk)). The Company's 2021 Annual Report and notice of annual general meeting will be made available on the above websites and will be despatched to the Company's shareholders in due course.

By order of the Board  
**Xingye Alloy Materials Group Limited**  
**HU Minglie**  
*Chief Executive Officer and*  
*Executive Director*

Hong Kong, 31 March 2022

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