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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 2022

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 2022 together with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

(Expressed in RMB)

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	4	6,238,504	6,949,881
Cost of sales		<u>(5,650,557)</u>	<u>(6,159,413)</u>
Gross profit		<u>587,947</u>	<u>790,468</u>
Other income	5	40,851	15,409
Distribution expenses		(61,052)	(61,463)
Administrative expenses		(334,107)	(313,978)
Other expenses	6	<u>(1,337)</u>	<u>(62,026)</u>

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit from operations		232,302	368,410
Finance income		46,720	20,483
Finance costs		<u>(29,605)</u>	<u>(35,031)</u>
Net finance income/(costs)	7(a)	<u>17,115</u>	<u>(14,548)</u>
Profit before taxation		249,417	353,862
Income tax	8	<u>(32,591)</u>	<u>(76,519)</u>
Profit for the year		<u>216,826</u>	<u>277,343</u>
Attributable to:			
Equity shareholders of the Company		216,607	276,977
Non-controlling interests		<u>219</u>	<u>366</u>
Profit for the year		<u>216,826</u>	<u>277,343</u>
Earnings per share			
Basic (<i>RMB</i>)	9(a)	<u>0.24</u>	<u>0.32</u>
Diluted (<i>RMB</i>)	9(b)	<u>0.24</u>	<u>0.32</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Expressed in RMB)

	2022 RMB'000	2021 RMB'000
Profit for the year	<u>216,826</u>	<u>277,343</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Item that is or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas operations	<u>4,845</u>	<u>(881)</u>
Other comprehensive income for the year	<u>4,845</u>	<u>(881)</u>
Total comprehensive income for the year	<u><u>221,671</u></u>	<u><u>276,462</u></u>
Attributable to:		
Equity shareholders of the Company	221,452	276,096
Non-controlling interests	<u>219</u>	<u>366</u>
Total comprehensive income for the year	<u><u>221,671</u></u>	<u><u>276,462</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in RMB)

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		922,420	866,912
Right-of-use assets	10	67,007	70,435
Deposits for acquisition of property, plant and equipment		24,900	5,916
Other non-current assets		7,490	7,490
Deferred tax assets		23,859	17,164
		<u>1,045,676</u>	<u>967,917</u>
Current assets			
Inventories	12	1,229,301	1,217,711
Trade and other receivables	13	546,898	461,169
Derivative financial instruments		935	–
Restricted bank deposits		720,133	566,228
Bank deposits with original maturity over three months		311,683	124,072
Cash and cash equivalents		316,859	235,844
		<u>3,125,809</u>	<u>2,605,024</u>
Current liabilities			
Derivative financial instruments		10,599	3,889
Interest-bearing borrowings	14	745,050	822,927
Trade and other payables	15	1,456,706	1,062,213
Lease liabilities	16	1,999	2,010
Income tax payable		8,079	27,569
		<u>2,222,433</u>	<u>1,918,608</u>
Net current assets		<u>903,376</u>	<u>686,416</u>
Total assets less current liabilities		<u>1,949,052</u>	<u>1,654,333</u>
Non-current liabilities			
Interest-bearing borrowings	14	117,739	39,860
Lease liabilities	16	995	2,911
Deferred income		38,788	38,191
Deferred tax liabilities		6,000	4,500
		<u>163,522</u>	<u>85,462</u>
NET ASSETS		<u>1,785,530</u>	<u>1,568,871</u>
CAPITAL AND RESERVES			
Share capital		80,774	80,774
Reserves		1,702,011	1,485,571
Total equity attributable to equity shareholders of the Company		<u>1,782,785</u>	<u>1,566,345</u>
Non-controlling interests		<u>2,745</u>	<u>2,526</u>
TOTAL EQUITY		<u>1,785,530</u>	<u>1,568,871</u>

1 REPORTING ENTITY AND BACKGROUND INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 July 2007 under the Companies 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 2022 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.

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 IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
Copper products related:		
– Sales of high precision copper plates and strips	5,887,041	6,446,971
– Processing service fees	261,875	276,560
– Trading of raw materials	75,995	216,011
	<u>6,224,911</u>	<u>6,939,542</u>
Online games related:		
– Technical service income	6,112	–
– Publishing and operating online games	4,917	9,412
– Others	2,564	927
	<u>13,593</u>	<u>10,339</u>
	<u>6,238,504</u>	<u>6,949,881</u>
Disaggregated by timing of revenue recognition		
– Point in time	6,224,911	6,939,542
– Over time	13,593	10,339
	<u>6,238,504</u>	<u>6,949,881</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 2022 and 2021.

(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.

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Mainland China	5,350,135	6,195,644
South Korea	137,742	109,538
Hong Kong, China	125,290	109,069
Taiwan, China	95,208	102,838
Bangladesh	86,107	76,492
India	70,897	55,335
Thailand	40,640	51,389
Other countries	332,485	249,576
	<u>6,238,504</u>	<u>6,949,881</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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants	24,830	11,807
Net gains on derivative financial instruments	12,737	–
Others	<u>3,284</u>	<u>3,602</u>
	<u><u>40,851</u></u>	<u><u>15,409</u></u>

Government grants represent unconditional government grants of RMB18,640,000 (2021: RMB5,617,000) 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 2022 (2021: RMB6,190,000).

6 OTHER EXPENSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Credit loss allowance on trade and other receivables	1,220	1,766
Losses on disposals of property, plant and equipment	19	86
Net losses on derivative financial instruments	–	59,708
Others	<u>98</u>	<u>466</u>
	<u><u>1,337</u></u>	<u><u>62,026</u></u>

7 PROFIT BEFORE TAXATION

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

(a) Net finance income/(costs)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income on bank deposits	33,285	18,428
Net foreign exchange gains	12,019	1,847
Gains from forward exchange contracts	1,416	–
Gains from structured bank deposits	<u>–</u>	<u>208</u>
Finance income	----- 46,720	----- 20,483
Interest expenses on interest-bearing borrowings	(31,104)	(36,109)
Interest on lease liabilities	(175)	(240)
Less: interest expenses capitalised	<u>1,674</u>	<u>1,318</u>
Net interest expenses recognised in profit or loss	----- (29,605)	----- (35,031)
Finance costs	----- (29,605)	----- (35,031)
Net finance income/(costs)	<u><u>17,115</u></u>	<u><u>(14,548)</u></u>

(b) Personnel costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages and other benefits	211,196	209,097
Equity-settled share-based payment expenses	4,916	5,308
Contributions to defined contribution plan	<u>9,724</u>	<u>8,329</u>
	<u><u>225,836</u></u>	<u><u>222,734</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**

	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
Cost of inventories*	5,647,335	6,157,001
Depreciation		
– Property, plant and equipment	100,186	102,831
– Right-of-use assets (<i>note 10</i>)	3,428	3,302
Impairment losses on		
– Trade and other receivables	1,220	1,766
Research and development expenditure (included in administrative expenses)	199,877	189,767
Auditor’s remuneration-audit services	<u>2,460</u>	<u>2,380</u>

* Cost of inventories includes RMB150,183,000 (2021: RMB149,917,000) 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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
Provision for the year	47,703	62,936
(Over)/under-provision in respect of prior year	<u>(9,917)</u>	<u>1,457</u>
	<u>37,786</u>	<u>64,393</u>
Deferred tax		
Origination and reversal of temporary differences	(6,695)	9,126
PRC withholding tax	<u>1,500</u>	<u>3,000</u>
	<u>32,591</u>	<u>76,519</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% (2021: 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 small profit enterprises in 2022, 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 25% 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 2022, 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 RMB6,000,000 (2021: RMB4,500,000) 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 2022.

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 RMB216,607,000 (2021: RMB276,977,000) and the weighted average number of 891,143,672 ordinary shares (2021: 852,683,874) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022	2021
Ordinary shares in issue at 1 January	893,872,173	813,263,173
Effect of new shares issued	–	39,123,287
Effect of shares purchased/vested under Share Award Scheme (note 18)	<u>(2,728,501)</u>	<u>297,414</u>
Weighted average number of ordinary shares in issue at 31 December	<u><u>891,143,672</u></u>	<u><u>852,683,874</u></u>

(b) Diluted earnings per share

As at 31 December 2022, potentially dilutive ordinary shares were excluded from the calculation of the diluted weighted average number of ordinary shares, since the effect would have been anti-dilutive.

Weighted average number of ordinary shares (diluted)

	2022	2021
Weighted average number of ordinary shares at 31 December (basic)	891,143,672	852,683,874
Effect of Share Award Scheme (note 18)	<u>–</u>	<u>8,678</u>
Weighted average number of ordinary shares at 31 December (diluted)	<u><u>891,143,672</u></u>	<u><u>852,692,552</u></u>

10 RIGHT-OF-USE ASSETS

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Leasehold land in PRC, carried at depreciated cost	63,886	65,336
Leased properties, carried at depreciated cost	2,716	4,463
Leased vehicles, carried at depreciated cost	405	636
	<u>67,007</u>	<u>70,435</u>

During the year, there was no addition to right-of-use assets (2021: RMB2,627,000).

Certain right-of-use assets with an aggregate carrying amount of RMB6,482,000 (2021: RMB65,336,000) were pledged as security for bank loans at 31 December 2022 (see note 14(iii)).

11 GOODWILL

	<i>RMB'000</i>
Cost:	
At 1 January 2021, 31 December 2021 and 31 December 2022	<u>138,153</u>
Accumulated impairment loss:	
At 1 January 2021, 31 December 2021 and 31 December 2022	<u>(138,153)</u>
Net book value:	
At 31 December 2021 and 31 December 2022	<u>—</u>

12 INVENTORIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Raw materials	143,959	113,879
Work in progress	836,733	916,684
Finished goods	248,387	186,942
Others	222	206
	<u>1,229,301</u>	<u>1,217,711</u>

Provisions of RMB15,289,000 (2021: RMB1,440,000) were made against those inventories with net realisable value lower than carrying value as at 31 December 2022. Except for the above, none of the inventories as at 31 December 2022 were carried at net realisable value (2021: Nil).

Certain inventories with aggregate carrying amount of RMB330,000,000 were pledged as security for bank loans at 31 December 2022 (2021: RMB330,000,000) (see note 14(iii)).

13 TRADE AND OTHER RECEIVABLES

	31 December 2022 <i>RMB'000</i>	31 December 2021 <i>RMB'000</i>
Trade and bills receivable, net of credit loss allowance	407,977	402,205
Deposits for metal future contracts	88,577	13,885
Other debtors, net of credit loss allowance	649	660
Financial assets measured at amortised cost	497,203	416,750
VAT recoverable	25,042	14,535
Prepayments	24,653	29,884
	<u>546,898</u>	<u>461,169</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 2022, 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 RMB22,780,000 (2021: RMB56,370,000). 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	396,685	394,826
Over 3 months but less than 6 months	10,727	6,911
Over 6 months but less than 1 year	110	30
Over 1 year	455	438
	<u>407,977</u>	<u>402,205</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 2022, the Group's bills receivables with aggregate carrying value of RMB2,500,000 (2021: RMB30,000,000) were pledged to banks for issuance of bank acceptance bills.

14 INTEREST-BEARING BORROWINGS

At 31 December 2022, interest-bearing borrowings were repayable based on scheduled repayment dates set out in the underlying loan agreements as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current		
Short-term secured bank loans	227,200	372,540
Unsecured bank loans	50,000	73,500
Bank advances under discounted bills	467,850	288,577
Current portion of non-current secured bank loans	<u>–</u>	<u>88,310</u>
	745,050	822,927
Non-current		
Secured bank loans	<u>117,739</u>	<u>39,860</u>
	<u>862,789</u>	<u>862,787</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	<u>745,050</u>	<u>822,927</u>
Over 1 year but less than 2 years	80,500	–
Over 2 years but less than 5 years	<u>37,239</u>	<u>39,860</u>
	<u>117,739</u>	<u>39,860</u>
	<u>862,789</u>	<u>862,787</u>

(ii) The Group's interest-bearing borrowings in the amount of RMB257,000,000 (2021: RMB376,000,000) are subject to the fulfilment of financial covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. As at and during the year ended 31 December 2022, none of these covenants related to drawn down facilities were breached.

- (iii) The secured bank loans as at 31 December 2022 bear interest at rates ranging from 0.30% to 5.65% (2021: 0.32% to 4.79%) per annum and were pledged by the following assets:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Carrying amounts of pledged assets:		
Inventories	330,000	330,000
Property, plant and equipment	166,601	191,755
Right-of-use assets	6,482	65,336
Guarantee deposits for bank borrowings	<u>–</u>	<u>29,979</u>
	<u>503,083</u>	<u>617,070</u>

- (iv) Unsecured bank loans as at 31 December 2022 bear interest at a rate of 3.85% (2021: 4.35%) per annum.

15 TRADE AND OTHER PAYABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade and bills payable (ii)	1,279,053	927,444
Staff benefits payable	73,961	56,838
Payables for purchase of property, plant and equipment	39,036	21,023
Accrued expenses and others	<u>34,657</u>	<u>18,549</u>
Financial liabilities measured at amortised cost	1,426,707	1,023,854
Contract liabilities (i)	<u>29,999</u>	<u>38,359</u>
	<u>1,456,706</u>	<u>1,062,213</u>

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

Revenue of RMB38,359,000 was recognised for the year ended 31 December 2022 that was included in the contract liabilities 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	1,141,499	856,234
Over 3 months but within 6 months	15,235	15,979
Over 6 months but within 1 year	106,777	44,886
Over 1 year	15,542	10,345
	<u>1,279,053</u>	<u>927,444</u>

16 LEASE LIABILITIES

At 31 December 2022, the lease liabilities were repayable as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	<u>1,999</u>	<u>2,010</u>
After 1 year but within 2 years	853	1,961
After 2 years but within 5 years	<u>142</u>	<u>950</u>
	<u>995</u>	<u>2,911</u>
	<u>2,994</u>	<u>4,921</u>

17 DIVIDENDS

No dividend was declared to equity shareholders of the Company for the year ended 31 December 2022 (2021: 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 2022, the Company had contributed HKD35,010,000 (equivalent to RMB29,933,000) (2021: HKD21,010,000 (equivalent to RMB17,624,000)) to the Trust and the amount was recorded as “Investments in subsidiaries” in the Company’s statement of financial position.

As at 31 December 2022, the Trustee had purchased 31,323,000 shares (2021: 21,622,000 shares) of the Company at a total cost (including related transaction costs) of HKD32,061,000 (equivalent to RMB27,538,000) (2021: HKD20,887,000 (equivalent to RMB17,610,000)).

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

	2022			2021		
	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	0.97	5,686,000	4,933	0.81	1,295,000	934
Shares purchased during the year	1.15	9,701,000	9,928	1.06	12,145,000	10,726
Shares vested during the year	-	(5,450,000)	(5,264)	-	(7,754,000)	(6,727)
At 31 December	<u>1.02</u>	<u>9,937,000</u>	<u>9,597</u>	<u>0.97</u>	<u>5,686,000</u>	<u>4,933</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 RMB4,916,000 (2021: RMB5,308,000) was recognised in the consolidated statement of profit or loss.

- (ii) Movements in the number of awarded shares for the years ended 31 December 2022 and 2021 were as follows:

	Number of awarded shares
At 1 January 2021	2,328,000
Granted	10,900,000
Vested and transferred during the year	(7,754,000)
Forfeiture	(24,000)
At 31 December 2021	<u>5,450,000</u>
Vested and transferred during the year	(5,450,000)
At 31 December 2022	<u>–</u>

During the year ended 31 December 2022, 5,450,000 out of the 10,900,000 award shares with a fair value of RMB10,225,000 (2021: RMB10,225,000) were vested and transferred to 6 Directors and 5 employees of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

The Group's total revenue for the year ended 31 December 2022 ("2022") amounted to RMB6,238.5 million, representing a decrease of 10.2% as compared to RMB6,949.9 million for the year ended 31 December 2021 ("2021"). The Group's profit attributable to the shareholders in 2022 decreased by 21.8% to RMB216.6 million from RMB277.0 million in 2021.

COPPER PROCESSING BUSINESS

Market and Industry Review

During 2022, the global and domestic copper market experienced turbulent times. There are many factors affecting international copper price, such as the US Federal Reserve interest rate hikes, the Russia-Ukraine conflict, China's pandemic controls and the expectation of economic recession in Europe and the United States. The international copper price rose first and then dropped during 2022. From the beginning of the year to mid-April 2022, the impact of the Russian-Ukrainian conflict led to the upward fluctuation of copper price; from late April to early June 2022, China's pandemic control led to the decline of copper price; from mid-June to mid-July 2022, the US Federal Reserve's frequent interest rate hikes coupled with the growing concern of recession in Europe and the United States led to the decline of copper price; and from November to December 2022, China's loosening of pandemic controls had sent positive signals to the copper market, causing the upward fluctuation of copper price.

At the end of 2022, the three-month copper futures price quoted on the London Metal Exchange (LME) closed at USD8,374 per ton, and the copper price quoted on the Shanghai Futures Exchange closed at RMB66,260 per ton, representing a decrease of 5.85% and 14.16% as compared with 2021, respectively.

Due to the slowdown in global economic demand, China's copper plates and strips processing industry was generally in a downward trend in 2022. The output of the entire industry decreased slightly year on year, industry investment remained stable, the production capacity of large enterprises continued to expand actively, and production capacity continued to be concentrated in leading enterprises.

According to a report by Antaike, a research institute of the copper processing industry, China's copper plates and strips processing capacity reached 3.706 million tons in 2022, representing a year-on-year increase of 2.21% and newly increased production capacity of 80,000 tons for the year, and the annual production output of copper plates and strips reached 2.401 million tons, representing a year-on-year decrease of 7.3%.

We expect China's economy to start recovering in 2023 as compared with 2022. Antaike expected that the total production capacity of the copper plates and strips industry in China will reach 3.906 million tons in 2023, a year-on-year increase of 5.4%, the annual output will reach approximately 2.78 million tons, a year-on-year increase of 15.8%, and the total volume of export will be approximately 237,000 tons, a year-on-year increase of 17.7%.

Business Review

During 2022, the Group's copper processing business realised a total revenue of RMB6,224.9 million and sales volume of 139,307 tons, representing a decrease of 10.3% and 14.1% respectively over 2021. The revenue from manufacturing and sales of precision copper plates and strips was RMB5,887.0 million, representing a decrease of 8.7% from RMB6,447.0 million of 2021. The sales volume of precision copper plates and strips was 91,236 tons, representing a decrease of 12.6% from 104,378 tons in the same period of 2021. The decrease in copper plates and strips revenue was mainly due to the decrease in sales volume. During 2022, copper products processing services revenue was RMB261.9 million, representing a decrease of 5.3% from RMB276.6 million of 2021. While the volume of processing services was 43,921 tons, representing a decrease of 14.3% from 51,273 tons of 2021. During 2022, revenue from trading of raw materials was RMB76.0 million, representing a decrease of 64.8% from RMB215.9 million of 2021. Trade sales were 4,150 tons, representing a decrease of 36.2% from 6,507 tons of 2021.

Business Development

During 2022, escalated geopolitical risks, the downturn in the international economy and the recurring domestic pandemic brought considerable downward pressure to China's economy, and many industries had stagflation or even recession risks. Changes in the downstream demand for copper processing materials, especially the significant decline in the electronic information industry in the first half of 2022, dragged down the development of upstream industries including the copper plates and strips processing industry. Under such circumstances, the Group also inevitably suffered from challenges of declining orders and fierce competition in the industry, and production and sales volume, revenue and net profit all decreased to a certain extent as compared with 2021. However, under the leadership of the Group's management and thanks to the joint efforts of our employees, the Group decisively made adjustments to meet challenges, seize opportunities and strive for breakthroughs. The specific work carried out and the results achieved are as follows:

1. **In terms of procurement**, in order to reduce logistics costs and mitigate the effect of Covid-19 controls in Shanghai area, the Group has gradually transferred its raw material procurement supply chain center from Shanghai to Ningbo and Jiangxi areas, which are close or within Zhejiang Province. After the outbreak of the pandemic in Shanghai, the Group actively sourced raw materials from the new supply chain centers, effectively ensuring the timely supply and minimizing the impact of the pandemic on the supply side of raw materials. In addition, the Group has also made great progress in the import of recycled copper in 2022. The imported volume of recycled copper increased by 50.4% as compared with 2021, not only effectively solving the difficulties in raw material supply caused by the domestic pandemic, but also reducing the proportion of new material consumption, thereby reducing production costs.

2. **In terms of production**, the Group has always adhered to the goal of improving the basic management of production sites. In 2022, focusing on the aspects of safety risk identification, quality process control and equipment control, the Group strived to improve the visualisation of the production sites to mitigate the risks of mis-operation, difficult operation and blind operation, taking a solid step towards the trend of standardisation and automation. While improving the basic management, these measures have also achieved great results in enhancing production efficiency. In addition, the Group has applied software related to the production self-management system, which has effectively reduced the labour intensity of employees and the workload of statisticians, improved the accuracy and comprehensiveness of data and the timeliness of data collection, and thus held up as a model for the promotion and integration of informatization in all production systems.

3. **In terms of sales**, facing the sharp decline in order volume in the middle of 2022, the Group cooperated with multiple departments to carry out effective measures to ensure sales volume:
 1. Making more efforts to visit customers to truly understand customer needs. During 2022, our employees at all levels visited customers more than 500 times and successfully developed 24 new customers, significantly increasing the visit frequency as compared with the same period in 2021, thereby avoiding a loss of orders to the greatest extent.

 2. Focusing on developing the market of high value-added products to enhance the profitability of the Group. Affected by low market demand, the total sales volume of the Group's high value-added products in 2022 fell short of the Group's target. However, the sales volume of certain product series, such as copper-nickel-silicon series, copper-chromium series, and etching materials series for mobile phone heat dissipation, increased significantly as compared with 2021.

 3. Focusing on introducing strategic customers to enhance our brand influence. The Group focused on chasing orders from leading enterprises in various downstream application fields, and through unremitting efforts, the Group has passed the supplier audit of international giants such as Apple and Tyco, and successfully established strategic cooperation with well-known companies in the new energy vehicle industry chain, thereby enhancing the visibility of the Company's high-performance alloy materials in high-end products.

 4. Exploring product application fields and accelerating the trial production of new products. In the face of low demand challenges, the Group actively explored new product application fields, and successfully entered the application field of new energy vehicle materials as evidenced by a large increase in orders of red copper strips for new energy vehicles during the year. In addition, the Group also made breakthroughs in product research and development in the fields of base station server thermal management, communication connectors, automobile wiring harness terminals, and CPU sockets.

Outlook

Looking forward to 2023, as the Chinese government's policy for economic stabilisation further takes effect, the impact of the pandemic will further diminish, enterprises will speed up work and production resumption, and the overall economic activity atmosphere will recover rapidly, but the market demand is recovering slowly, and the foundation for economic recovery is still weak. The Group's copper processing business will face a new round of challenges from product mix adjustment and intensified industry competition. In this regard, the management of the Group will take the initiative to make changes and innovate inward to accelerate transformation and improve management ability. As the new round of technological transformation is completed and the production line is optimally configured, the Group is confident to seize the opportunity arising from the current round of economic recovery to expand product market share and brand influence, so as to accelerate the realisation of the vision of becoming a world-leading enterprise, and consolidate the foundation for building a century-old enterprise.

GAMING BUSINESS

Industry Review

According to the China's Gaming Industry Report in 2022, the sales revenue of China's gaming market decreased for the first time in the last decade and the actual sales revenue for 2022 fell to RMB265.9 billion, representing a year-on-year decrease of 10.3%. The number of game users in China was 664 million for 2022 representing a year-on-year decrease of 0.33%.

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 RMB13.6 million and net loss of RMB0.2 million for the year ended 31 December 2022, representing an increase of 30.8% in revenue and a decrease in net loss of 92.9% respectively over 2021. The increase in revenue and decrease in net loss is mainly because the official launch of two new gaming products during 2022.

Outlook

Looking ahead to 2023, the Group's gaming business will continue to operate online games aiming to increase the gaming products' user base and gross revenue amid the challenges of a shrinking gaming industry.

FINANCIAL REVIEW

Revenue and gross profit

The Group's copper business achieved total revenue of RMB6,224.9 million for the year ended 31 December 2022, and the Group's online gaming business achieved revenue of RMB13.6 million for the year ended 31 December 2022.

For the year ended 31 December 2022, the Group recorded total sales revenue of RMB6,238.5 million, which decreased by 10.2% from RMB6,949.9 million of 2021. The decrease in the revenue of the Group's copper business was mainly due to a decrease in sales volume of copper products. The Group sold 139,307 tons of copper products, which decreased by 14.1% from 162,158 tons of 2021. The Group recorded a gross profit of RMB587.9 million for 2022, which decreased by 25.6% as compared with 2021. The decrease in gross profit is mainly due to a decrease in sales volume of copper products in 2022.

Other income

For the year ended 31 December 2022, the Group recorded other income of RMB40.9 million, which increased by RMB25.5 million as compared to 2021. Such increase was mainly because the Group recorded a net gain of RMB12.7 million on derivative financial instruments in 2022, and had more government grants by RMB13.0 million as compared with 2021.

Other expenses

For the year ended 31 December 2022, other expenses of the Group was RMB1.3 million, which decreased by RMB60.7 million from RMB62.0 million in 2021. This was mainly because the Group recorded a net loss of RMB59.7 million on derivative financial instruments in 2021.

Distribution expenses

For the year ended 31 December 2022, distribution expenses of the Group decreased by RMB0.4 million from RMB61.5 million in 2021 to RMB61.1 million in 2022. The decrease is mainly due to a decrease in insurance fee.

Administrative expenses

For the year ended 31 December 2022, administrative expenses of the Group increased by RMB20.1 million from RMB314.0 million in 2021 to RMB334.1 million in 2022, and was mainly due to an increase in research and development expenses.

Net finance income/(costs)

For the year ended 31 December 2022, the Group's net finance income was RMB17.1 million (2021: net finance costs of RMB14.5 million). This was mainly due to an increase in interest income on bank deposits and net foreign exchange gains.

Income tax

For the year ended 31 December 2022, the Group's income tax expense decreased by RMB43.9 million to RMB32.6 million from RMB76.5 million in 2021, and the effective tax rate decreased to 13.1% in 2022 as compared to 21.6% in 2021. The decrease in the effective tax rate was mainly because the Group's two major subsidiaries enjoyed 100% additional deduction for qualified research and development expenses.

Profit attributable to the shareholders of the Company

As a result of the aforementioned factors, the profit attributable to the shareholders of the Company decreased by RMB60.4 million to RMB216.6 million in 2022 from RMB277.0 million in 2021.

Liquidity and financial resources

As at 31 December 2022, the Group recorded net current assets of RMB903.4 million, compared with net current assets of RMB686.4 million as at 31 December 2021.

The short-term interest-bearing borrowings represented 86.4% of total interest-bearing borrowings as of 31 December 2022. 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 RMB1,399.7 million (including long term loan facilities amounting to RMB436.8 million) and RMB1,348.7 million (comprised of restricted bank deposits of RMB720.1 million, bank deposits with maturity over three months of RMB311.7 million and cash and cash equivalents of RMB316.9 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 2022, the Group had bank loans and other borrowings of approximately RMB745.1 million, which shall be repaid within 1 year. As at 31 December 2022, 40.0% of the Group's debts were on a secured basis.

The gearing ratio as at 31 December 2022 was 33.0% (31 December 2021: 33.9%), which is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings, lease liabilities and bills payable 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 2022, the Group pledged assets with an aggregate carrying value of RMB503.1 million (31 December 2021: RMB617.1 million) to secure bank loan facilities.

Capital expenditure

In the year ended 31 December 2022, the Group invested RMB134.1 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 2022, future capital expenditures, for which the Group had contracted but not provided for, amounted to approximately RMB450.5 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 2022 and up to the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2022, 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 2022, the Group had 1,457 employees, of which the copper business and online gaming business had 1,405 and 52 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

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 9,701,000 shares of the Company at a total consideration of HKD11,174,000 (equivalent to RMB9,928,000) throughout 2022.

Except for 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 2022.

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 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2022.

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 2022 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 2022 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 2022 (2021: 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 16 June 2023, the register of members of the Company will be closed from 13 June 2023 to 16 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 12 June 2023.

PUBLICATION OF 2022 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website (www.xingyealloy.com) and the Stock Exchange's designated website (www.hkexnews.hk). The Company's 2022 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 2023

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.