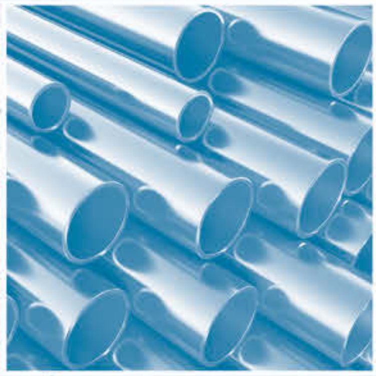
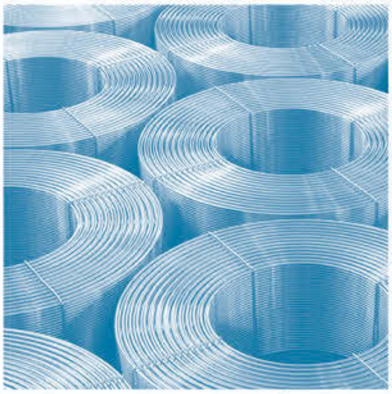
ANNUAL REPORT 2022

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

(incorporated in the Cayman Islands with limited liability)

Stock Code : 00505





CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Mr. ZHU Wenjun
Ms. MUI Ngar May, Joel

PRINCIPAL LEGAL ADVISORS

Hong Kong

Zhong Lun Law Firm LLP

PRC

Zhong Lun Law Firm

Cayman Islands

Conyers Dill & Pearman, Cayman

AUDITORS

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

REGISTERED OFFICE

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

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS

Hong Kong

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

PRC (Copper Business)

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

PRC (Online Gaming Business)

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Hancourt Road
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Bank of China

COMPANY WEBSITE

www.xingyealloy.com

STOCK CODE

505

CHAIRMAN'S STATEMENT

On behalf of the board of directors, I am pleased to present the annual report of Xingye Alloy Materials Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022 ("**2022**" or the "**Reporting Period**").

In 2022, affected by certain factors such as recurring domestic pandemic, escalated geopolitical conflicts, and global economic downturn, the Group's copper processing business encountered a significant decline in orders, as well as increasing fierce competition. However, under the leadership of the board of directors, the Group actively responded by focusing on product structure optimization, and adopted flexible sales strategies to vigorously expand market share with high value added products, which were widely recognized by our top ten strategic customers and overseas markets, thereby achieving relatively satisfactory results, and minimizing the stress of profit decline.

In 2022, with the US Federal Reserve's aggressive pace in shrinking the balance sheet and raising interest rates, the energy prices surged, and the inflation pressure increased sharply, leading to stagflation and even negative growth of major economies in the world. Except for a few areas, industries across the board suffered from business contraction to varying degrees. Although the Chinese government actively adopted a moderately loose fiscal policy, under the background of globalization, various domestic industries also inevitably experienced a decline in orders.

In 2022, affected by the insufficient downstream demand and the recovery of production capacity of international competitors, China's copper processing industry generally encountered an unprecedented business contraction. Under the leadership of the board of directors of the Group and the striving efforts of all staff, the Group achieved a lower decline than other peers. During the Reporting Period, the Group realized a total annual sales volume of 139,307 tonnes.

I am hereby pleased to announce that the profit attributable to shareholders of the Company for 2022 was RMB216.6 million, and the annual revenue was RMB6,238.5 million.

OUTLOOK

In 2023, as the impact of the pandemic subsides, the US Federal Reserve's interest rate hikes are expected to reach peak, and China is expected to continue to implement economic stimulus policies, the macro economy is expected to stabilize and recover. However, the uncertainty on the international geopolitical situation has not been eliminated, the risk of escalating trade frictions between China and the United States still exists, and the imbalance between domestic supply and demand cannot be alleviated in the short term, indicating that the economic recovery will be relatively slow. Facing the complex and changeable external situation, in 2023, the Group will initiate a new round of changes by seeking breakthroughs in production and sales to improve the overall management ability and core competitiveness. We believe that under the leadership of the board of directors and the cooperation and support of all employees, the Group will successfully achieve the set goals, and calmly cope with various challenges and impacts, so as to accelerate the realization of the target of becoming a world-leading enterprise, consolidate the foundation for building a century-old enterprise, and become a respected modern group enterprise.

APPRECIATION

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

HU Changyuan
Chairman

Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

The Group's total revenue for the year ended 31 December 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%.

MANAGEMENT DISCUSSION AND ANALYSIS

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 ended 31 December 2022. 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%.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In August 2016, the Group completed the acquisition of Funnytime, which mainly engages in the development, distribution and operation of online games through its wholly owned subsidiary Soul Dargon Limited and two domestic companies, namely Hefei Zhangyue Network Technology Co., Ltd. ("**Zhangyue**") and Ningbo Longhui Network Techonlogy Co., Ltd. ("**Longhui**") both controlled through contractual agreements. Funnytime achieved total revenue of 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 annual report, the Group had not experienced any difficulty in raising funds by securing and rolling over short-term loans borrowed from various banks in the PRC, which were renewed on an annual basis in accordance with local market practice.

The Group is able to generate cash from operating activities, has good credit standing and relationships with principal lending banks, and possesses available undrawn banking facilities together with bank deposits of RMB1,399.7 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 annual report.

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the Group had no significant investment with a value of 5% or more of the Group's total assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other future plans for material investments or capital assets as at 31 December 2022.

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.

The Group exports a portion of its products to and purchases a considerable amount of raw materials mainly copper products and production equipment from international markets where transactions are denominated in USD or other foreign currencies. Therefore, the Group has exposure for foreign exchange risks and the Group uses foreign exchange forward contracts and options to hedge its foreign exchange risks. For details of the Group's foreign currency forward contracts and options, please refer to note 19 to the financial statements.

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.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2022, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The current practices will be reviewed by the Board regularly to follow the latest practices of corporate governance.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors of the Company (the "**Directors**"), all the Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2022.

CORPORATE CULTURE

Providing high-quality products with innovation, confidence and integrity to our customers and share success with our employees, shareholders and stakeholders are the key success factors of an enterprise.

Since 2015, the Group established "Happy Working Life in Xingye (興業幸福家園)" to enhance the unity of the Group and sense of belonging of the employees in order to have a stable and sustainable development of the enterprise. The Group believes that the theme of the employees' happiness, customers' delight and the shareholders' satisfaction, in order to foster the employees with "Xingye's spirit" and serve the customers with corporate philosophy, dedicating to becoming a respected enterprise with a long history.

BOARD OF DIRECTORS

Board composition

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

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

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

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

Responsibilities of the Board

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

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

The Company convenes at least four regular Board meetings a year and meets more frequently as and when required. During the year ended 31 December 2022, the Board convened a total of 6 Board meetings (including 4 regular Board meetings) and the individual attendance record of the Directors is tabulated as follows:

Name of Director	Number of meetings held while being a Director	Number of meetings attended
Executive Directors		
Mr. HU Changyuan *(Chairman)*	6	6
Mr. HU Minglie *(Chief Executive Officer)*	6	6
Mr. ZHU Wenjun	6	6
Independent Non-executive Directors		
Mr. CHAI Chaoming	6	6
Dr. LOU Dong	6	6
Ms. LU Hong	6	6

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

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

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

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

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

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

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

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

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

Corporate Governance Functions

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

- To develop, review and update the Company's policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2022, the Board had performed the above duties.

Directors' and officers' liability

Appropriate directors' and officers' liability insurance has been arranged for the Directors and officers of the Company for the year ended 31 December 2022.

Directors' training and continuing professional development

The Directors are committed to comply with Code Provision C.1.4 of the CG Code on Directors' training so as to ensure that their contribution to the Board will be informed and relevant.

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

The Company arranged an in-house briefing on regulatory update of director's duties for listed companies to Directors conducted by a law firm during the year ended 31 December 2022. All Directors, namely Mr. HU Changyuan, Mr. HU Minglie, Mr. ZHU Wenjun, Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong, attended the in-house training.

All Directors have participated in appropriate continuous professional development programmes and reading materials to develop and refresh their knowledge and skills and provided the Company with their record of training they received for the year ended 31 December 2022.

MECHANISM ON INDEPENDENT VIEWS TO THE BOARD

The independent non-executive Directors comprised professionals who are capable of safeguarding the corporate governance of the Company and protecting the interests of all Shareholders. Through serving on the Board committees, taking active participation and sharing of valuable impartial view on matters discussed at the Board and/or Board committees meetings and taking lead in managing issues involving potential conflict of interests, all independent non-executive Directors have provided the independent view to the Board and made various contributions to the effective direction of the Company.

The Board shall review the mechanism on independent views and input to the Board on an annual basis, and has reviewed it during the year ended 31 December 2022, to ensure its implementation and effectiveness.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

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

Details of the selection process of new Directors and a summary of work performed by the Nomination Committee in 2022 are set out under the "Nomination Committee" section below.

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

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

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

DIVISION OF RESPONSIBILITIES

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

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

BOARD COMMITTEES

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

Audit Committee

The Audit Committee was established on 1 December 2007 with specific written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board in accordance with the requirements of Listing Rules and the CG Code, which are published on the Company's website and the Exchange's website. During the year ended 31 December 2022, the Audit Committee comprised three independent non-executive Directors, namely, Mr. CHAI Chaoming (Chairman), Dr. LOU Dong and Ms. LU Hong. The Audit Committee meets formally at least twice a year.

Two Audit Committee meetings were held during the year ended 31 December 2022. At the meetings, the members of the Audit Committee executed the major duties and responsibilities which are provided below. The individual attendance record of each member of the Audit Committee is tabulated as follows:

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

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

- to review the Group's annual and interim reports as well as financial reports, recommendations on management put forward by auditors and responses from the Company's management;
- to review matters related to accounting policies and accounting practices adopted by the Group;
- to review the risk management and internal control systems of the Company;
- to review internal control matters with the external auditors;
- to review the external auditors' statutory audit plan and letters to the management (if any);
- to advise the Board on appointment, re-appointment and removal of hired external auditors, approve remuneration and terms of engagement of external auditors and to handle any problems in relation to the resignation or dismissal of auditors; and
- to review continuing connected transactions (if any) and examine the adequacy of internal controls of the Group as part of the standard procedures.

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

The Audit Committee has free access to the accountants and senior management of the Group and to any financial and relevant information which enable them to discharge their functions effectively and efficiently. Besides internal assistance being available, the Audit Committee may request for assistance and advice from external auditors as and when they think necessary at the expenses of the Company. The Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the external auditors. In addition, the Audit Committee should meet with the external auditors without the presence of the executive Directors to discuss the Group's financial reporting and any major and financial matters arising during the year ended 31 December 2022 at least once a year.

In addition, the Audit Committee is authorized:

- to investigate into any matter within the ambit of its written terms of reference;
- to have full access to and co-operation by the management;
- to have full discretion to invite any Director or executive officer to attend its meetings; and
- to have reasonable resources to enable it to discharge its functions properly.

Remuneration Committee

The Remuneration Committee was established on 1 December 2007 with specific written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board in accordance with the requirements of the Listing Rules and the CG Code, which are published on the Company's website and the Exchange's website. During the year ended 31 December 2022, the Remuneration Committee comprised two independent non-executive Directors and one executive Director, namely, Dr. LOU Dong (Chairman) and Ms. LU Hong and Mr. ZHU Wenjun. Its primary objective is to ensure that the Company can recruit, retain and motivate high-calibre staff in order to reinforce the success of the Company and create value for our Shareholders. The Remuneration Committee is also responsible for making recommendations to the Board on Directors' and senior management remuneration packages and on establishment of a formal and transparent procedure for developing remuneration policy. When recommending the remuneration package for each individual Director, the Remuneration Committee will consider his/her qualification(s) and experience, specific duties and the prevailing market packages available for a similar position. The Remuneration Committee shall aim to meet at least twice a year.

Two Remuneration Committee meetings were held during the year ended 31 December 2022. At the meetings, the Remuneration Committee reviewed the remuneration policy and packages of the Directors and senior management and information regarding the directors' remuneration in the interim report and the annual report and made recommendation to the Board for approval. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

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

The remuneration of members of the senior management (being the three executive Directors) by band and other remuneration related matters for the year ended 31 December 2022 is set out below:

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

Directors' Remuneration Policy

The Company has established a formal and transparent policy on Directors' remuneration and other remuneration related matters. Such remuneration policy is to ensure that all Directors, are sufficiently compensated for their efforts and time dedicated to the Company and remuneration offered is appropriate for their duties and in line with market practice. No Director, or any of his/her associates, is involved in deciding his/her own remuneration.

According to such directors' remuneration policy, the policy and structure for the remuneration of Directors are set out below:

(a) Independent non-executive Directors and non-executive Directors receive a basic fee and other discretionary remuneration. Such basic fee is set at a level that reflects the competencies and contribution required in view of the Group's complexity, the extent of the responsibilities and the number of Board meetings or relevant meetings of the Board committee(s) that he or she has to attend. In addition to the basic fee, independent non-executive Directors and non-executive Directors receive compensation for being chairman of the Board committee(s) if he or she is not the Chairman of the Board. Generally the Company shall not grant equity-based remuneration with performance related elements to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

(b) When executive Directors are employed on a contractual basis, their remuneration is fixed according to current market rates and conditions in Hong Kong and PRC (where applicable) and subject to reassessment annually or periodically, as mutually agreed between the Company and executive Directors. The remuneration committee should consult the Chairman of the Board about their proposals relating to the remuneration of other Executive Directors and have access to professional advice if considered necessary. Executive Director's remuneration consists of both variable and non-variable elements. The total level of the non-variable elements of the remuneration is determined by taking into consideration the job description and responsibilities and the Group's magnitude and complexity. Executive Directors may also receive other benefits, including but not limited to, defined contribution retirement scheme plan, plan providing for hospitalization and outpatient benefits, accommodation benefit, and use of company car. The variable element is discretionary in nature and consists of year-end bonuses on the basis of both the executive Director's and the Group's performances as recommended by the Chairman of the Board and approved by the remuneration committee and the Board.

Nomination Committee

The Nomination Committee was established on 1 December 2007 with specific written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board in accordance with the requirements of the CG Code, which are published on the Company's website and the Exchange's website. During the year ended 31 December 2022, the Nomination Committee comprised three independent non-executive namely, Directors Mr. CHAI Chaoming (Chairman), Dr. LOU Dong and Ms. LU Hong. The Nomination Committee meets formally at least once a year.

One Nomination Committee meeting was held during the year ended 31 December 2022. At the meeting, the members of the Nomination Committee executed the major duties and responsibilities which are provided below. The individual attendance record of each member of the Nomination Committee is tabulated as follows:

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

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

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

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

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

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

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

– to review the board diversity policy.

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

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

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

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy with effect from 28 August 2013 and discussed all measurable objectives (if any) set for implementing the policy. The Board had reviewed the implementation and effectiveness of the said policy during the year ended 31 December 2022.

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

The Board had achieved gender diversity of the Board since May 2016. Gender diversity at workforce levels (including our senior management) is disclosed (on page 60) in the Environmental, Social and Governance Report in this annual report. The Company is aiming to achieve a more balanced gender ratio in the workforce in the future and will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness.

ACCOUNTABILITY AND AUDIT

Directors' and Auditors' acknowledgement

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

In preparing the financial statements for the year ended 31 December 2022, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The financial statements for the year ended 31 December 2022 have been prepared on a going-concern basis.

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

Auditors' Remuneration

During the year ended 31 December 2022, the Company engaged KPMG as the external auditors of the Group until the conclusion of the next Annual General Meeting.

The fees in respect of audit services provided by KPMG for the year ended 31 December 2022 amounted to approximately RMB2.46 million. For the year ended 31 December 2022, the fees for non-audit services (as scrutineer for vote taking at the 2022 annual general meeting) provided by KPMG amounted to RMB33,000.

Risk Management and Internal Control

The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems of the Group and reviewing their effectiveness on an ongoing basis. The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee. Management has provided a confirmation to the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022. The risk management and internal control systems are designed to manage, not eliminate, the risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The main framework of the Group's risk management and internal control systems at each level are summarized as follows:

- the Board evaluates and determines the nature and extent of risks including, amongst others, material risks relating to environmental, social and governance ("**ESG**"), it is willing to take in achieving the Group's strategic objectives;

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

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

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

Process Used to Identify, Evaluate and Manage Significant Risks

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

Risk Identification and Assessment

- Identifies risks that may potentially affect the Group's business and operations as well as those relating to the Group's ESG performance and reporting;
- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact on the business and the likelihood of their occurrence.

Risk Monitoring and Reporting

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

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

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

During the year ended 31 December 2022, the Directors, through the Audit committee, reviewed the effectiveness of the risk management and internal control systems, and considered the said systems to be effective and adequate.

Dissemination of Inside Information

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

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

- is well aware of its obligations under the Listing Rules and the overriding principle that information, which is considered as inside information, should be disseminated to the Shareholders and published promptly when it is the subject of a decision;
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

- informs all Directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Stock Exchange;
- has developed procedures and mechanisms for the disclosure of inside information;
- has included in its employees' code of conduct a strict prohibition on the unauthorised use of confidential, sensitive or inside information, and has communicated such prohibition to all staff; and
- has established and implemented procedures for responding to external enquiries about the Company's affairs. For example, only Chairman, Chief Executive Officer and delegated executive Directors can act as the Company's spokespersons and has authority to respond to enquiries on designated topics.

Whistle Blowing Policy and Anti-Corruption Policy

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

To achieve and conduct business honestly, ethically and with integrity, the Company adopted a anti-corruption policy from 5 July 2022. This policy aims to set out the responsibilities of all business units and employees of the Group to comply with the applicable anti-corruption laws, rules and regulations. The Group adopts a zero-tolerance principle against corrupt practices.

Further disclosures of whistleblowing and anti-corruption are set out in the Environmental, Social and Governance Report in this annual report.

COMPANY SECRETARY

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

According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2022.

SHAREHOLDERS AND INVESTOR RELATIONS

Communication with Shareholders and Investors

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

CORPORATE GOVERNANCE REPORT

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

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

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

The individual attendance record of the Directors at the 2022 annual general meeting ("**AGM**") is tabulated below:

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

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

The Company had adopted a shareholders' communication policy since March 2012 which had been published on the website of the Company. The Company has an ongoing dialogue with Shareholders and other investors through various communication channels set out in the shareholders' communication policy and takes any areas of concern into consideration when formulating its business strategies. The Board had reviewed the implementation and effectiveness of the said policy and considered to be effective and adequate.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to put forward enquiries to the Board

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

Procedures for Shareholders to convene an extraordinary general meeting

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

Procedures for Shareholders to put forward proposals at general meetings

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

If a Shareholder wishes to propose a person (the "**Candidate**") for election as a director of the Company at a general meeting, he/she shall deposit a written notice at the Company's head office at Flat 11, 11th Floor, Hung Tai Industrial Building, 37-39 Hung To Road, Kwun Tong, Kowloon, Hong Kong or Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The written notice must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules.

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

DIVIDEND POLICY

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

CONSTITUTIONAL DOCUMENTS

The constitutional documents of the Company (i.e. the Memorandum of Association and Articles of Association) are available on the Company's website and the Exchange's website. There are no changes in the Company's constitutional documents during the year ended 31 December 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Report Scope

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

Full name	Abbreviation
Xingye Alloy Materials Group Limited	Xingye Alloy, or the Company
Ningbo Xingye Shengtai Group Ltd.	Shengtai
Ningbo Xingye Xintai New Electronic Materials Co., Ltd.	Xintai

Scope of time: from 1 January 2022 to 31 December 2022. Part of the presentation and data are properly traced back to the previous years in order to ensure the clarity and comparability of the information.

Note: As the revenue share of the gaming business segment of the Group is lower (2022: 0.22%), the Group had excluded this business from the ESG reporting scope since 2021.

Report Release

This report is published on an annual basis.

Reporting Basis

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

Principles for the Preparation of the Report

Materiality

The Group has identified material issues related to operations that investors and other stakeholders are concerned about, as the focus of the report. This report covers reporting on material topics, and also pays attention to the characteristics of the industry involved in the Group's operations and the characteristics of the region where it is located. For details on the analysis process and results of material topics, please refer to the section headed the ESG Management in the report. At the same time, this report focuses on matters that may have a significant impact on investors and other related parties in terms of environment, society and corporate governance.

Accuracy

Best efforts have been made to ensure the accuracy of the information contained in the report. Among them, data caliber, calculation basis and assumptions have been explained in the calculation of quantitative information, to ensure that the calculation error range will not cause misleading on information users. For quantitative information and notes, please refer to the section headed the ESG Key Quantitative Performance Table in the report.

The Board guarantees that there are no misrepresentations or misleading statements contained in or material omissions from the report.

Balance

The report reflects objective facts, and discloses both positive and negative information in relation to the Group in an unbiased manner. The Group searched the objects within the scope of this report through Shanghai Qingyue information database, and no negative events that shall have been disclosed but have not been disclosed was found during the reporting period.

Quantitative and Consistency

This report discloses key quantitative performance indicators, and historical data as much as practical. This report maintains the same statistics and disclosure method for the same indicator in different reporting periods; if there is any change in the statistics and disclosure method, fully explanation will be made in the notes to the report so that stakeholders are able to conduct meaningful analysis and evaluate the development trend of the Group's ESG performance level.

Description of Data

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

The unit of financial data in this report is Renminbi. If there is any inconsistency between the financial data in this report and the Group's annual financial report, the latter shall prevail.

Publish of the Report and Methods of Access

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

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

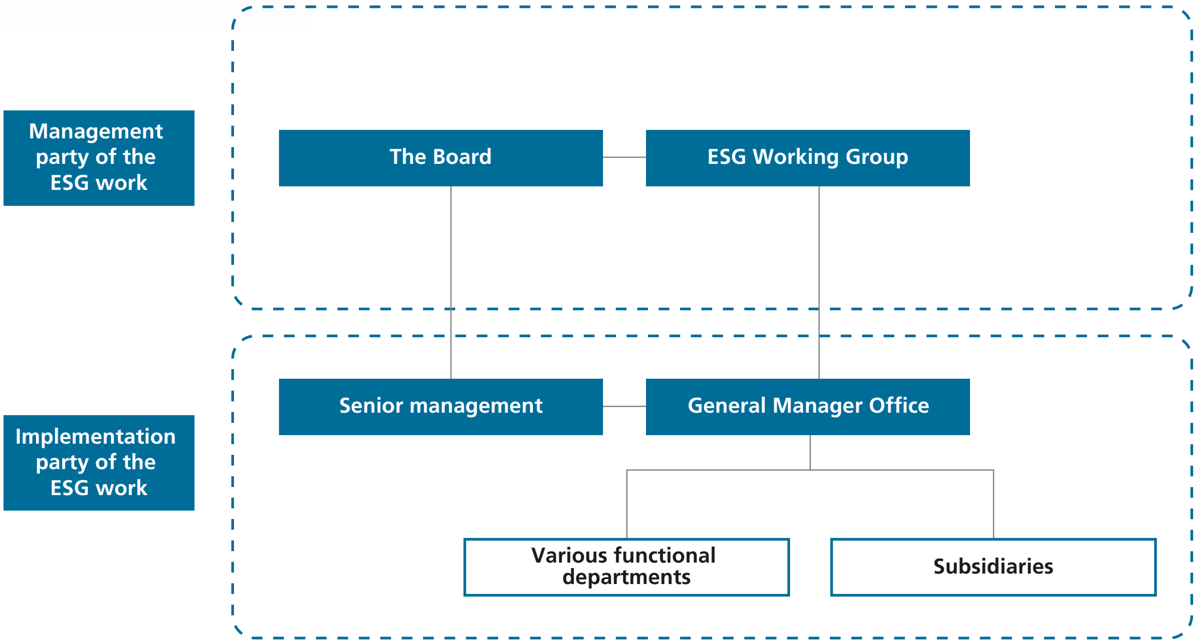
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE BOARD'S STATEMENT ON ESG MANAGEMENT

ESG Governance Structure

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

ESG Governance Structure of Xingye Alloy



ESG responsibilities of Xingye Alloy

ESG responsibility of the Board and ESG Working Group:

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

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

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

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

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

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

ESG responsibility of the senior management and General Manager Office:

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

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

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

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

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

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

f) Other duties delegated by the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Vision and Strategies

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

ESG Management Strategies of Xingye Alloy

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

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

ESG Management

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Communication with Stakeholders

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

Major Stakeholders	Communication Channel	Concerned Issues
Shareholders and investors	• General meeting • Information disclosure	• Compliance and risk management • Economic performance • Corporate governance • Protection of rights and interests of investors
Governments and regulators	• Project cooperation • Communication on conference • Supervision and inspection	• Compliance and risk management • Anti-corruption and anti-bribery • Emissions and waste • Uses of resources • Environmental management • Climate change adaption
Customers	• Customer satisfaction investigation • Customer interview • Industry exchange	• Product health and safety • Customer service • Customer privacy protection
Suppliers	• Supplier assessment and review • Supplier training	• Supply chain management • Anti-corruption and anti-bribery
Employees	• Regular meeting • Staff activities • Complaint and feedback	• Employee interests and benefits • Employee training and development • Occupational health and safety
Industries	• Industrial associations • Industrial interaction	• Innovative R&D
Communities	• Community activities • Media communication	• Social welfare

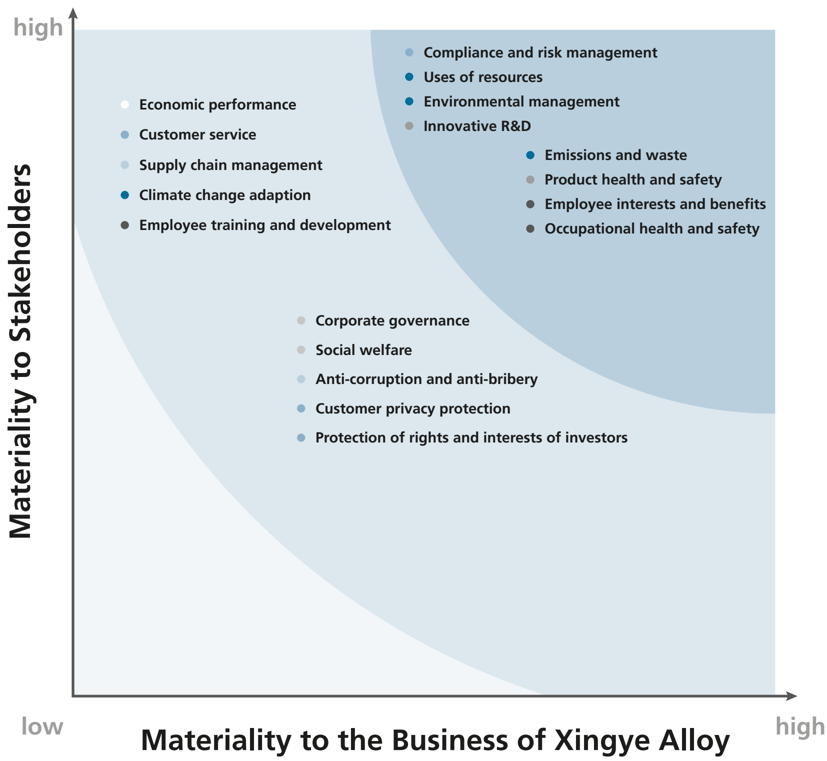
Analysis of Materiality Issues

Based on its own business and operating characteristics, and in combination with domestic and international industry policy standards, as well as the domestic and global benchmarks, the Group identified the core materiality issues via the process of issue identification and assessment. In 2022, the Group made adjustments to the material issues on the original basis through macro policy research, industry analysis and review of material topics. The Group has newly added 2 new issues (corporate governance, and protection of rights and interests of investors) and adjusted the names of 6 issues.

Materiality Issues in 2022	Change	Reasons for Change
Corporate governance	New	The Company has established an effective governance structure featuring "three meetings and one layer" to promote the diversification and independence of the Board, and ensure the Company's standard operation and scientific, standardised and transparent corporate governance.
Protection of rights and interests of investors	New	Through transparent and effective information disclosure and active communication with investors, the Company effectively protects the legitimate rights and interests of investors, especially small and medium investors.
Anti-corruption and anti-bribery	Issue adjustment (the original one was "Anti-corruption")	The Company's anti-corruption and anti-bribery management system, including the establishment of anti-corruption and bribery system, training, etc.
Emissions and waste	Issue adjustment (the original one was "Pollutant emission")	Classify and treat waste water, waste gas, hazardous waste and non-hazardous waste in the Company, and reduce discharge of waste water, waste gas, hazardous waste and non-hazardous waste, including management methods and discharge data.
Environmental management	Issue adjustment (the original one was "Environmental protection")	According to laws and regulations and its own operating characteristics, the Company has a systematic management system in place and adopts scientific management methods to control the environmental impact that may be caused by corporate activities in order to protect the environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Issues in 2022	Change	Reasons for Change
Customer service	Issue adjustment (the original one was "Customer satisfaction and communication")	Contains customer service, customer complaints and handling, customer education, including customer satisfaction, customer service and complaints.
Supply chain management	Issue adjustment (the original one was "Supplier management")	Supplier classification management, supplier environmental and social risk management, green procurement, with key disclosures including supplier access and audit, supplier risk assessment, etc.
Occupational health and safety	Issue adjustment (the original one was "Employee health and safety")	The Company provides employees with a safe working environment and necessary protective measures, including: building an occupational health management system, conducting hazard assessment and identification, and providing safety training, etc.



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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Consolidating the Foundation of ESG Management

ESG management improvement is a systematic project. In light of actual operations and ESG material issues, the Group conducted a comprehensive review of the ESG system in 2022, and strengthened the foundation of ESG management, to improve ESG management performance in all respects. A total of more than 50 ESG-related management systems have been added and amended.

Major New and Amended Systems in 2022

Environmental (E)	Amendments have been made to 11 systems and 4 new management systems have been added to improve environmental management and promote green production and operation. • **Environmental management:** the Management Manual, the Environmental and Occupational Health and Safety Monitoring and Measurement Control Procedures, the Drinking Water Management System, "Three Simultaneous" Management System for Construction Project, the Outsourcing Project Safety and Environmental Management System, the Hazardous Chemicals Management System, the Infrastructure Project Management System, the Inspection and Management System for Hidden Safety, Environmental and Vocational Dangers, the Management Procedures for Laws and Regulations and Other Requirements, the Management System for the Use of Safety, Environmental and Vocational Logos, the Inland River Management System of the Company, the Environmental Protection Facilities Management System • **Emissions and waste:** the Exhaust Gas Management System, the Noise Management System, the Wastewater Management System

Social (S)

Amendments have been made to 22 systems and 15 new management systems have been added to promote the construction of a harmonious society.

- **Employee rights and benefits:** the Anti-harassment and Anti-abuse Management System, the Freedom of Association Management System, the Anti-discrimination Management System, the Prevention of Forced Labour Management System, the Prevention of Punishment Management System, the Prohibition of Child Labour Management System, the Special Group Employee Protection Management System, the Foreign Labour Protection Management System, the Third Party Recruitment Agency Management System, the Identification, Evaluation and Control Methods of Ergonomics Related Factors, the Employee Manual, the Recruitment Management System, the Resignation Management System, the Employee Management System, the Employee Basic Code of Conduct, the Employee Reward Management Regulations, the Dormitory Management System, the Canteen Management System (Revised), the Attendance Management System, the Salary and Compensation Management System

- **Occupational health and safety:** the 80# Furnace Combustible Gas Alarm Device Management System, the First Aid Kit Management System, the Combustible Dust Safety Management System, the Fire Alarm Controller Operation Instructions, the Emergency Incident Management System, the Work Injury Accident Management System, the Fire-fighting Facilities and Equipment Management System, the Comprehensive Maintenance Management System for Production Equipment, the Emergency Management System for Production Interruption, the Management System for Insulating Tools in High-voltage Distribution Stations and Low-voltage Distribution Rooms, the Special Position Management System, the Fire Emergency Plan

- **Supply chain management:** the Raw Material Purchasing Control Procedures, the Material Purchasing Control Procedures

- **Product health and safety:** the Operation Planning Control Procedures, the Internal Audit Control Procedures, the Management Review Control Procedures

Corporate Governance (G)

Amendments have been made to 6 systems and 2 new management systems have been added to improve corporate governance and promote high-quality development.

- **Compliance and risk management:** the Commitments and Statements on Social Responsibility, the Document Control Procedures, the Provisions of the Board's Independent Opinion Mechanism, the Shareholders' Communication Policy, etc.

- **Anti-corruption and anti-bribery:** the Overseas Anti-Bribery System, the Anti-Corruption Policy and the Whistleblowing Policy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Targets Review

The Group has set water consumption target, greenhouse gas emission target, non-hazardous waste target, hazardous waste target and energy use target, and tracks the progress towards such targets on an annual basis.

Water Consumpton Target

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

40%

Greenhouse Gas Emissions Target

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

50%

Non-hazardous Waste Target

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

30%

Hazardous Waste Target

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

15%

Energy Use Target

As compared to 2018[1], the comprehensive energy consumption per unit product (MWh/tonne product) in 2025 will be reduced by

20%

Note 1: The base year for the energy use target is 2018, and the disclosure target for the current year shall prevail.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, Xingye Alloy continues to promote its ESG management work, integrates environmental, social and corporate governance into the Group's long-term strategic planning, to continuously improve its ESG management level. It also actively joins hands with various stakeholders to create shared value. The progress of ESG management performance in 2022 is as follows:

ESG Management Progress in 2022

For shareholders: sound and compliance-based operation	• Coverage of anti-corruption training was 100% • Percentage of Directors trained in respect of anti-corruption was 100%
For environments: green and harmonious development	• As compared to 2018, greenhouse gas emissions per unit product reduced by approximately 28.99% • As compared to 2018, the comprehensive energy consumption per unit increased by approximately 4.46%[2] • As compared to 2018, the water consumption per unit product reduced by 36.96% • As compared to 2019, the production of non-hazardous waste per unit product reduced by 22.17%
For employees: building a happy home	• The mutual aid funds assisted a total of 62 employees, with a subsidy amount of RMB110,270 • The number of safety training participants reached 2,500, representing a coverage of safety training of 100%
For customers: win-win cooperation and quality first	• The Company's yield rate of genuine products reached 60.48% • The return rate was reduced to 0.87%
For community: insisting on giving back to society	• Input in community public services reached RMB120,000 • Total hours of employees participating in volunteer activities were over 1,700 hours

Note 2: Compared with 2021, the product mix structure of the Company was adjusted in 2022, in which the proportion of high value-added products increased by approximately 2.5%, thus the proportion of electricity consumption increased, and the comprehensive energy consumption per unit product also increased. In the future, the Company will further adjust its product mix structure, optimize energy use, and strive to reduce the comprehensive energy consumption per unit product.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ENVIRONMENT: GREEN DEVELOPMENT FOR PROTECTING THE BEAUTIFUL PLANET

1.1 Environmental Management

With adherence to the concept of green development, the Group has established a sound environmental management system, set practical environmental management goals, and explored the impact of its own development on the ecological environment through environmental impact analysis.

The Group strictly abides by environmental laws and regulations and relevant requirements, such as the Environmental Protection Law of the People's Republic of China. In 2022, the Group revised the Environmental and Occupational Health and Safety Planning and Control Procedures to continuously strengthen environmental management, and took active actions in resource use and management, emissions and waste management and response to climate change.

Shengtai was approved for the ISO14001 environmental management system certification (valid until 30 December 2025), and was awarded as a green factory in Ningbo in November 2022.

Environmental Impact Analysis

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

Resource Input

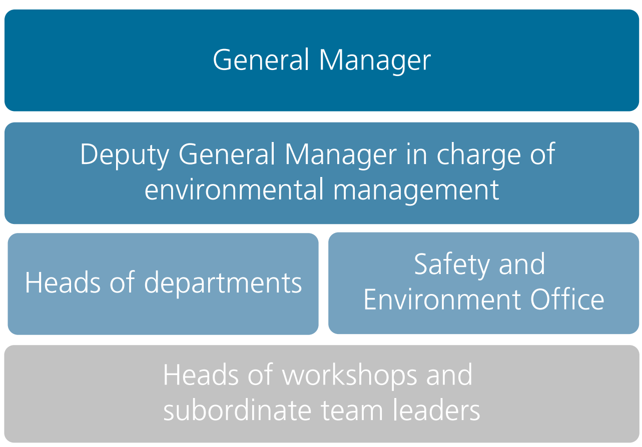
Key Performance	2022
Use of Resources	
Power consumption per unit product (kWh/tonne product)	1,507.65
Natural gas consumption per unit product (m^3/tonne product)	92.27
Water consumption per unit product (m^3/tonne product)	2.52
Usage of packaging materials used for shipment of finished products per unit product (tonne)	3,537.54

Emission Output

Key Performance	2022
Emissions	
Waste water discharge per unit product (m^3/tonne product)	0.27
Production of hazardous wastes per unit product (kg/tonne product)	9.61
Production of non-hazardous wastes per unit product (kg/tonne product)	25.87
Emission intensity of greenhouse gases (tCO_2 equivalent/tonne product)	1.04

Environmental Management System

Environmental Management Framework



Persons in Charge of Environmental Management and their Main Duties

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

1.2 Use and Management of Resources

Energy Management

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

The Group has set up an energy control and monitoring team, under which an executive office has been established, responsible for implementing the decisions of the monitoring team and reporting the implementation status on a regular basis. Efforts have been made by the Group in terms of energy-saving technological transformation, process improvement, thermal energy and additional solar energy, to improve energy efficiency and increase the proportion of clean energy use.

The Company's technological transformation energy saving and cost reduction project in 2022 (as of December 2022)

Project name	**Accumulated from January to December (RMB0'000)**
Shengtai bell hydrogen recycling	391.63
Shengtai bell waste heat recycling	51.93
Waste heat recycling of Φ1800 bell annealing furnace process	33.22
Waste heat recycling of Shengtai new walking furnace	52.41
Shengtai new bell electric to gas	136.19
Shengtai new walking furnace saving gas	616.36
Shengtai Deman Air Compressor	15.97
Xintai bell waste heat recycling	15.02
Company-wide rainwater collection	6.99
1# Water Station	23.17
High-concentration oil-containing mixed raw liquid water treatment saving	1,089.50
Shengtai Photovoltaic Project	1.54
Total	2,433.93

Water Resource Management

The Group's production water comes from the municipal water supply of Hangzhou Bay Water Supply Company in Hangzhou Bay New Zone. The source of water for production is highly secure, and there is no risk in obtaining a stable water supply. In order to strengthen production water management, the Group has formulated certain systems such as the Water Consumption Management System, which stipulates measures for water conservation. In 2022, the Group carried out projects such as concentrated water recycling and transformation, rainwater collection and reuse, and casting cooling water recycling, so as to improve the utilization rate of water resources.

Packaging Management

The packaging materials used by the Group are mainly wooden frames, paper cores, interlining cloth, etc. The Group has formulated the Regulations on Product Packaging Control for the use of packaging materials to reduce waste of resources. In 2022, the Group recycled a total of 8,784 wooden frames and 15,688 kg of paper cores, effectively reducing the waste of resources. In July 2022, the Group tried iron sleeves instead of paper cores for some customers. The iron sleeves can be reused more times than paper cores, reducing the use of paper cores and resource waste.

1.3 Emission and Waste Management

Wastewater Management

In compliance with the laws and regulations and related requirements including the Water Pollution Prevention and Control Law of the People's Republic of China, the Group formulated and strictly implemented the Wastewater Management Regulations, monitored the ammonia nitrogen, COD and PH in the wastewater on a regular basis, and completed the monthly, quarterly and annual inspections. In 2022, the high-concentration wastewater treatment station of the Group was newly equipped with a set of 15t/d high-concentration wastewater treatment facility to improve the disposal capacity, and carried out deionized water recycling projects, in an aim to reduce waste water production. In 2022, there was no incident that caused the Group subject to punishment due to excessive or illegal discharge of pollutants.

Major updates of the Wastewater Management Regulations in 2022	
(1)	Newly added identification and record management of wastewater sources.
(2)	Newly added requirements for the preparation, update and approval of self-monitoring program.
(3)	Revision of water quality testing requirements under internal control.
(4)	Newly added the Wastewater Management Record and the Annual Environmental Self-Monitoring Program.

Exhaust Management

The waste gas generated in the Group's production and operation activities is mainly fumes generated by annealing furnaces, the oil mist generated during rolling and the acid mist generated during acid pickling. The types of exhaust emissions include particulate matter, lead and its compounds, tin and its compounds, nickel and its compounds, nitrogen oxides, sulfur dioxide, etc. The Group strictly abides by the laws and regulations, including the Law of the People's Republic of China on the Prevention and Control of Air Pollution, and conducted waste gas management according to the national waste gas emission standards.

In 2022, the Group formulated the Exhaust Gas Management System to further standardize its hazardous waste gas monitoring and emission management requirements, thus reducing air pollution. In 2022, the Group introduced a new set of exhaust gas treatment device, which allows separate disposal of the 25# line and 27# line of the original public bag dust removal equipment, so as to improve the effect of waste gas collection. It also changed the filter aperture of the metal dust filter bag produced by the dry brush box of the 104# noodle milling machine from 50μ to 20μ to improve the filtering effect. In 2022, the Group's exhaust emissions met the standards.

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

Waste Management

The waste generated in the Group's production and operation activities include non-hazardous waste and hazardous waste. Non-hazardous waste mainly includes slag, copper scrap, waste cardboard, waste plastic, workshop scraps, etc. The Group has set up the Recycling Resources Division to entrust qualified organizations for uniform handling of renewable resources such as waste cardboard, waste plastics, waste copper and miscellaneous iron, in order to maximize the utilization rate of resources. In 2022, the Group reviewed the environmental impact assessment of the non-hazardous solid waste disposal organizations to check whether the process registered in the environmental protection meets the disposal requirements, so as to ensure the standardization and safety of the solid waste treatment process.

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

In 2022, the Group introduced the "Zhejiang Solid Waste Code(浙固碼)" system, which realized the whole-process monitoring of hazardous waste in and out of the warehouse, transportation and legal disposal on the system.

The Company's post-treatment (degreasing and acid cleansing) process produces approximately 2 to 3 tonnes of waste acid per month. As the content of copper ions and zinc ions in waste acid is high, the Company employs experts for guidance and exploration, and collects the copper ions and zinc ions in the waste acid by combining electrolysis and chemical treatment, which helps reduce the copper ions to less than 1/30 of the original ones or less and the zinc ions to 1/5 of the original ones or less, thereby lowering the impact the application of PH neutralizer for water treatment on the water quality during the water treatment. While achieving the purpose of resource utilization of waste acid, these efforts optimize the quality of drainage water, reducing the impact on the water environment.

1.4 Climate Change Adaption

Climate Change Management

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

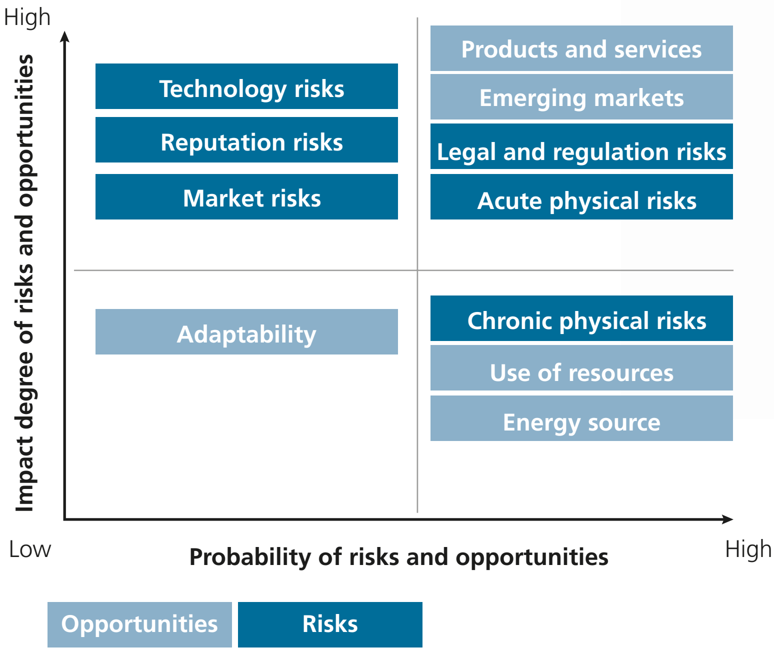
Climate Change Management System

Governance	• We have included climate change issues into the ESG focal points of Xingye Alloy. The Company's ESG issues, including climate change issues are monitored and managed by the Board; • The Company regards climate change mitigation and adaptation as one of the work priorities of all relevant business units and its safety and environmental protection department;
Strategy	• To assess the potential operational and financial impact on the Company based on the identified major risks and opportunities; • To carry out relevant management actions in the development of low-carbon operations and active use of clean energy (such as solar power);
Risk Management	• To identify the important links in operating activities which cause greenhouse gas emissions, and to identify potential risks and opportunities; • The Company plans to incorporate the risks and opportunities of climate change into its overall operational risk management in the future;
Performance	• To disclose greenhouse gas emissions and emission intensity in the ESG report each year so as to evaluate the Company's management performance on addressing climate change and to formulate improvement plans; • Carbon emission reduction targets have been formulated since 2020, and are planned to be disclosed in the annual report since 2021.

Risks and Opportunities of Climate Change

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

Risks and Opportunities Identification Matrix in Relation to Climate Change



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

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

Countermeasures of Climate Change

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

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

Performance and Goals

In 2020, the Group set a greenhouse gas emission reduction target of 50% reduction in greenhouse gas emissions per unit product (tCO_2 equivalent/tonne product) by 2025 as compared to 2018. In 2022, the Group's total greenhouse gas emissions dropped by 26.49% as compared to 2018, and the greenhouse gas emissions per unit product (tCO_2 equivalent/tonne product) decreased by approximately 28.99% as compared to 2018.

2. SOCIETY: CREATING A BETTER FUTURE AND BUILDING A HARMONIOUS SOCIETY

2.1 Quality Products and Services

Product quality control

Xingye Alloy has been focusing on the symbiosis between human beings and nature with the operation philosophy of "employee-pleased, customer-impressed, shareholder-satisfied and society-recognized", hoping to enhance the value of individuals, enterprises and industries while carrying out different types of high-precision copper plates and strips production and sales operations.

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

Project development

- Complied with QESP-02-B4 project development control procedures;
- The process of project development process is refined, including the transfer process of each matter, responsible persons, time points, project evaluation requirements, etc., which is more onducive to guiding practical operations.

Technical level

- Development application to promote new product: 4 of the 6 project promotion targets for 2022 were achieved, and 2 projects were not reached for the time being since the equipment was not in place in time due to the pandemic situation and market factors;
- Document standardization work: complete the standardization of process documents; assist the production workshop to complete the reparation/revision of work instructions.

Quality control

- Improved the raw material procurement process, and formulated the raw material traceability management system;
- Improve production control procedures, production interruption emergency management system, and actively implemented document requirements;
- Newly added product inspection of key customers and special line production management mode.

Quality inspection

- Laboratory has newly added a surface detector and a metallographic microscope;
- Improved detection accuracy.
- We have confirmed the discrepancy of testing results with customers and reduced the complaints in this area.

In 2022, the Group updated a total of more than 300 various quality control guidance documents, such as "Technical Standards", "Work Instructions", "Control Regulations" and "Inspection Standards", to refine the product control process. As of the end of the reporting year, the Group has passed various certifications, including ISO9001 "Quality Management System Certification", "IATF16949 – Automotive Copper Strip Product Certification", "Recycling System Certification" and "Dun & Bradstreet Registered Certification Enterprise".

Amendments to 2022 product quality control documents	
1)	**Improve the quality target management system and revise the quality target setting process**
	Project Development and Control Procedures, Production Control Procedures, Product Monitoring and Measurement Control Procedures, Quality Target Management System, Technical Change Management System and Project Exception Management System
2)	**Update procurement resource control procedures**
	Raw Material Procurement Control Procedures, Material Procurement Control Procedures, Equipment Management Procedures, Monitoring and Measuring Resource Management and Raw Material Trace Management System
3)	**Non-conforming product control procedures**
	Non-conforming Product Control Procedures and Handling Management Process for Finished Product with Quality Problems

In 2022, the Group made efforts to improve its services for the twelve key customers. The production center arranged special personnel for special line production, and the technical quality center organized dedicated persons responsible for technical support and quality improvement. In 2022, the restructuring rate of 12 key customers of the Group was reduced to 6.04%.

In order to further improve product quality and increase the product yield, the Group has set up a quality control team to clarify the special quality control path for each product and to improve the product yield by continuously optimizing the process and improving the skills of personnel. In 2022, the Group achieved a comprehensive genuine product rate of 60.48%, and reduced the return rate to 0.87%.

Product Innovation

An effective innovation mechanism will be an important foundation for the continuous technological innovation of enterprises. In line with the scientific and technological innovation policy that "research and development projects come from the market, and relevant results are applied to the market", the Group made amendments to the "Project Development Control Procedure", and specified more details in the development of new products in 2022.

In 2022, in addition to improving and revising the innovation system, the Group also advanced product R&D innovation by promoting the construction of the R&D center platform and improving the operation management system for R&D projects and other innovative incentives. In order to strengthen the construction of the talent team of the R&D center, the Group actively carried out cooperation projects between institutions and enterprises, and cooperated with the School of Materials of Central South University, to provide an advantageous platform for the cultivation of materials science talents through various ways, including the establishment of scholarships, post-doctoral workstations, and topics under the cooperation, such as "Double 70 High-strength and High-conductivity Copper Alloy Technology Development" and "Development of Copper-nickel-tin Alloy Strip Preparation and Processing Technology".

Construction of the R&D center platform system

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

In 2022, the Group achieved various innovations in the production and quality of copper-tin alloys, master alloys and copper-iron alloys, and successfully developed copper-tin high-conductivity and corrosion-resistant copper alloy strip and copper-magnesium, copper-silicon, copper-manganese and other master alloys, which helped the industry growth and provided the society with better material choices.

New Product Development Achievements in 2022

Copper-tin high-conductivity and corrosion-resistant copper alloy strip: Copper-tin high-conductivity and corrosion-resistant copper alloy strips are mainly used in automotive electronic connectors and capacitor resistors. The major components of automotive connectors are the contact connector and the shell. The contact connector is the core part of the power supply, which principally includes negative and positive contactors, and the shell mainly protects the motherboard and fixes it to the vehicle.

Master alloy: Master alloy is an indispensable raw material for copper alloy production, as it can solve the problems of vulnerability of elements and accessibility of high melting point elements. The Company needs to purchase thousands of tonnes of master alloys each year. In 2022, the Company developed three master alloy products of copper-magnesium, copper-silicon and copper-manganese, which have been used in large quantities. Currently, these products enter the stage of mass production, which can reduce costs for the Company.

Copper-iron alloy CFA95 R&D project: The copper-iron alloy CFA95 R&D project has generally mastered the casting characteristics of CFA95, and made breakthroughs in key technologies for the production of CFA95 round ingots in 2022. The medium workshops are currently capable of producing 300/400/600mm flat ingots and φ171mm round ingots. In 2022, several rounds of tests were conducted on CFA95 antibacterial plates, soaking plates and welding wires, among which the antibacterial plates and soaking plates have completed initial tests. After performance has been improved through further tests, samples will be provided to customers for trail; while samples of CFA95 welding rods have been approved by various customers in Japan.

Building on its own product innovation, the Group actively promotes the development of the industry and has participated in the compilation of a number of national and industry standards. In 2022, the Group participated in the revision of the national standard "Copper and Copper Alloy Strips and Foils for Terminal Connectors". Currently, a discussion draft and its preparation instructions have been formed, and the discussion has been completed. In addition, the Group has applied for the industry standard for "Copper-Chromium Alloy Strip and Foil Material", contributing to the progress of the entire industry.

Innovation is the foundation of corporate development. The update of key technologies and the research and development of new products will help enterprises survive in the market competition. The Group has won honors such as "Excellence Product of China Nonferrous Metal Industry", "Zhejiang Famous-brand Product", "Zhejiang Famous Trademark", and "Zhejiang Export Famous Brand Product". On the basis of its industry, Xingye Alloy will continue to focus on innovation, and give full play to its own technological advantages. While improving product quality, it will explore to achieve a higher level of environmental protection and social benefits, so as to promote progress of the industry.

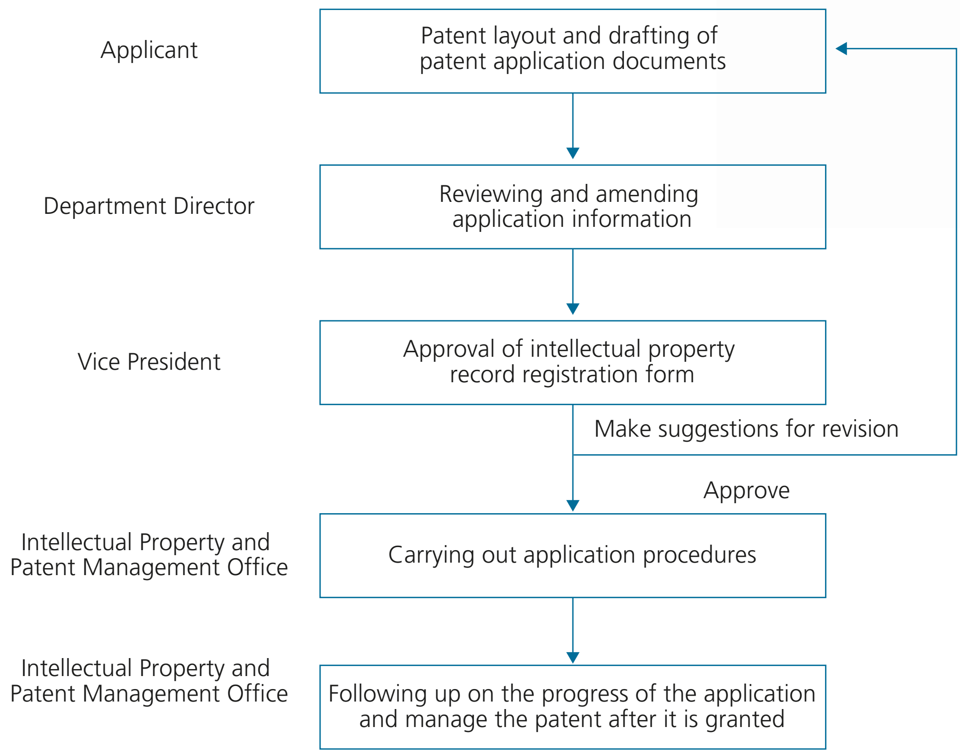
Under the path of "innovation-driven, sharing high-quality development achievements", Xingye Alloy has been recognized by various R&D innovation platforms and awarded honors, including:

- National Enterprise Technology Center
- National Postdoctoral Scientific Research Center
- Top Ten Copper Plates & Strips Enterprises in China (First)
- National Individual Champion Product
- Zhejiang Provincial Engineering Research Center
- Key Champion Enterprise Cultivating Individual Achievement in Manufacturing of Ningbo City
- "Large-scale, Outstanding and Strong" Cultivation Enterprise with the Market Value of Ten Billions in Manufacturing of Ningbo City

Intellectual property management

Protecting intellectual property is the armor that protects innovation. The Group has established the Patent Management System to regulate the management, protection and application of the Group's intellectual property rights, promote the technological innovation and build its own intellectual property system.

Patent Application Workflow

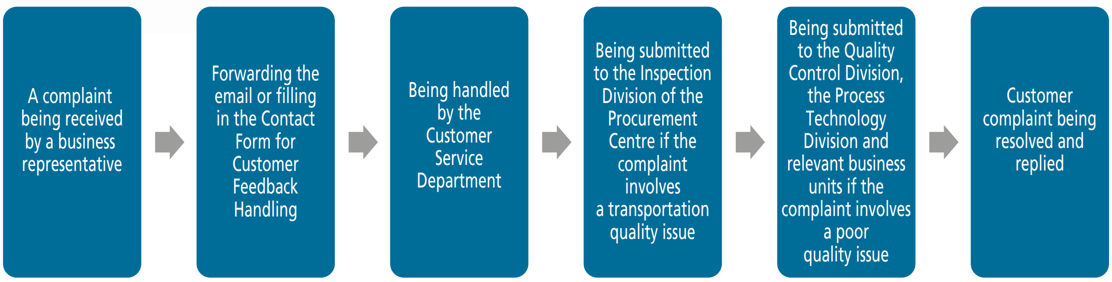


2022 Intellectual Property Highlights	
Driven by the concept of technological innovation, the Company obtained 8 granted invention patents:	
(1)	A method and application for copper alloy material and its preparation;
(2)	A copper alloy lead frame material;
(3)	A preparation and processing method of a copper alloy plate and strip for a vapor chamber;
(4)	A copper alloy material for 6G communication connectors and a preparation method thereof;
(5)	A copper-iron master alloy with uniform composition and a preparation method thereof;
(6)	A metastable immiscible copper-iron alloy and a preparation method thereof;
(7)	A low residual stress copper alloy for a lead frame and a preparation method thereof;
(8)	A lead-free copper alloy solder and a preparation method thereof.

Customer Service

The Group is committed to providing customers with high-quality services. In terms of customer privacy and information security protection, the Group has established the Customer or External Supplier Property Control Program and Integrity Management Program to regulate the protection of customer information. The Group fully respects the privacy of customers and protect their legal rights, and signs confidentiality agreements with customers who are required to sign such documents. In terms of customer service, the Group has formulated the Customer Service Control Procedures, and made amendments to institutional documents in 2022, including the Procedures for Handling Customer Complaints, Returns and Claims, and the Processing Flow for Finished Products that have Quality Defect. It has also improved customer service work procedures to create a channel for customers to make inquiries, seek counseling before, during and after sales.

Customer Complaint Handling Procedures



Division of Labor in the Customer Claims Handling Department

Business Department

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

Quality Control Department

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

- the settlement rate of customer complaints of the Company was 100%;
- the rate of satisfaction of integrated customers of the Company was 96%;
- the rate of satisfaction of automotive customers of the Company was 95.7%.

2.2 Responsible Supply Chain

Supplier Quality Management

The Group's suppliers mainly include two types of raw materials and materials, which are respectively coordinated by the raw material procurement center and the material procurement center. Raw material suppliers consist of manufacturing suppliers and sales suppliers, and material suppliers include suppliers for I, II and III spare parts and IV outsourcers.

In an aim to strengthen supplier quality management, the Group revised a series of supplier management and assessment systems such as the Raw Material Procurement Control Procedures and the Material Procurement Control Procedures, formulated the Spare Parts Supplier Introduction Management Process in 2022, to refine the introduction process of spare parts suppliers.

New suppliers can join the qualified suppliers list for normal cooperation only after passing the preliminary basic information investigation, technical standard confirmation, sample analysis, small batch trial and large batch trial procedures. For suppliers in the list of qualified suppliers, the Group will evaluate the monthly supply of all suppliers through the Monthly Supplier Performance Evaluation Form and the Annual Supplier Performance Evaluation Form. When the monthly performance is assessed as "unqualified", the Group will issue a Report for Rectification on Quality Abnormality to the suppliers involved, which requires that the improvement issues be completed within 2 months. Any failure to do so within the completion period will cause it to be included in the List of Suppliers to Be Developed, and re-introduction of qualified suppliers. When the annual performance is unqualified for 3 times, cancel of the qualification of qualified suppliers shall be reported to the Group's procurement director for approval.

The Group implements review pursuant to the Annual Supplier Audit Plan, and issues the Supplier Audit Checklist to suppliers who need to implement self-assessment. Then the Group will review and judge the results of re-evaluation based on the Checklist filled by suppliers, and conduct on-site audits in accordance with the Supplier Audit Checklist for suppliers who are required to do so. For suppliers whose annual supplier re-evaluation scores are below 60%, the Group will cancel their qualifications; if they remain interested to cooperate, they are required to pass multiple small-batch verifications to confirm that the quality and delivery date have been improved, and are subject to re-assessment according to the new supplier evaluation and selection process.

Supplier Management Process

Supplier Environmental Management

The Group integrates the concept of safety, green and environmental protection into the daily management of the supply chain. In raw material procurement, the Group has formulated Raw Material Control Procedures and Raw Material Procurement Management Process, so as to standardize the overall business process of raw material procurement, operation and management mechanism, raw material inspection and management, and optimize the cost of raw material procurement and use. In addition, the procurement department of the Group gives priority to recycled metal materials and reused recyclable materials to improve the green nature of products.

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

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

Supplier Social Management

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

For suppliers who violate integrity standards, the Group can cancel its various incentives under the contract, and preferential renewal rights, and lower its cooperation qualification level, reduce cooperation and terminate cooperation, etc.

Responsible Minerals Stewardship

At present, the Group has formed a product production line with more than 80 alloy designations in 9 series, such as green, yellow, purple, white, electronic, diversified, high copper and tin brass. As the production and operation activities of the Group involve electrolytic copper, brass scrap and other metals, as well as a small amount of tin and ingot use, the overall risk of raw materials can be controlled.

As a responsible corporate, the Group is committed to not procuring and using conflict minerals that directly or indirectly finance armed groups in the Democratic Republic of the Congo and adjoining countries. The measures of the Group follow the Due Diligence Guidelines for Responsible Supply Chains for Mining in Conflict-Affected and High-Risk Areas published by Organization for Economic Cooperation and Development (OECD), and it strives to improve internal procedures and systems in this regard.

The Group encourages relevant suppliers to obtain certification that they are not using conflict minerals in their smelters and refiners. In addition, the Statement on Conflict Minerals is published on the website of the Company, and the Conflict Minerals Policy Statement required of tin ingot suppliers is reflected in the terms of the contract.

2.3 Supporting Employee Development

Employment and rights of employees

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

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

In 2022, as to the employment and protection of employees' legal rights and interests, the Group developed a series of management systems, including the Anti-Discrimination Management System, the Prevention of Forced Labor Management System, the Prevention of Discipline Management System, the Prohibition of Child Labour Management System, and the Special Group Employee Protection Management System, and made amendments to the Recruitment Management System, Resignation Management System, and the Salary and Compensation Management System to better respect and protect the legal rights and interests of its employees. The human resources department of the Group establishes and strictly enforces recruitment, promotion and termination procedures and implements relevant employee welfare policies.

During the reporting period, the Group had no violations of laws and regulations in relation to employee recruitment and dismissal, working hours and holidays, promotion and equal opportunities, anti-discrimination and diversity and labor standards.

Total number of employees	**1,405**
Ratio of male to female employees by gender	male: female = **4.7:1**
Labor contract signing rate	**100%**
Social insurance coverage	**100%**

Communication with and Care for Employees

The Group has developed several communication channels to smoothly communicate with employees and safeguard legal rights and benefits of employees. In addition to existing information collection channels, such as general manager's mailbox, letterbox, symposium, union communication, employee satisfaction survey and WeChat platform, the Group set up a reception day for the "Employee Talk" studio to further broaden the communication channels in 2022. The Group received rationalized suggestions related to immediate rights and interests of employees, and all of them were put into practice in 2022, effectively enhancing employees' happiness.

As to employee caring, the Group pays attention to the specific needs of different employees and provides supports accordingly. In 2022, the Group carried out employee care activities focusing on the two aspects of care for employees in difficulty and daily condolences.

Care for Employees in Difficulty

- The Company has set up a mutual fund to help employees in difficulty.
- The Company launched the mutual fund to express sympathy to and help 10 employees in difficulty, with a total subsidy of RMB12,000.
- The mutual fund helped 62 employees, with a total subsidy of RMB110,270;
- In 2022, the Company helped nine employees' children to attend school.

Daily Condolences

- Medical workers were invited to conduct free nucleic acid tests for returning employees, serving over 120 people in total.
- Free haircut for workers left behind during the Spring Festival, serving a total of 18 people.
- The Company paid respect to deceased employees or their deceased family members, with condolence money (including condolence goods) of RMB107,100.
- The Company awarded each of 19 old employees serving for 30 years an honor certificate of excellence and a customized gold medal worth RMB5,000.

Occupational Health and Safety

As to employee health and safety, the Group, by following the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Regulations on Prevention and Control of Occupational Diseases of Zhejiang Province, formulated management standards such as the Standard for Issuing Labor Protective Equipment, the Employee Medical Examination System and the Occupational Health Management System to ensure the occupational health of employees.

With aims to make emergency response and rescue of the infectious disease outbreaks in an efficiently and orderly order, avoid or minimize losses caused by disasters, and protect the lives of employees and the safety of corporate property, in 2022, the Group formulated the Infectious Disease Emergency Rescue Plan, and established an emergency rescue leading group, with the general manager as the team leader. The emergency rescue leading group has set up an emergency rescue management office as the executive department under the General Manager Office, responsible for the implementation of the plan and daily management.

In 2022, the Group followed up on the requirements of the local government on the prevention and control of COVID-19, updated the epidemic prevention policy and strictly follows it; and strengthened the control of personnel access, and carried out the necessary processes such as registration, body temperature measurement and code checking to prevent unknown risks; as well as enhanced the publicity of pandemic prevention knowledge and guided employees to do a good job in epidemic prevention.

The Group has established a leading group for safety production, environmental protection and occupational health to supervise the occupational health situation and safety production of copper alloy business. The leading group has developed an occupational health and safety production management system to strengthen the management of the elements involved in occupational health and safety, regularly conduct internal audits, inspections and safety hazard checks, and improve the safety awareness of employees through training. In 2022, the Group transformed the original fire-fighting facilities into a fire-fighting linkage control system to improve its fire-fighting emergency capabilities.

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

Examination	• Promoting the work system that special equipment (travelling crane) operators must obtain work license, and the operator must pass theoretical and practical exams. • In 2022, the Company completed the internal certification exams for a total of 210 travelling crane operators.
Environmental and occupational training	• Conduct induction training according to the annual work plan. • In 2022, the Company organized 27 training sessions and trained more than 1,080 employees. • The Company invited government departments and experts from third-party organizations to conduct training for employees.
Safety exercise	• In 2022, the Company conducted 8 emergency drills, covering 232 people. • The drill covers fire evacuation, hazardous waste leakage, hazardous chemical leakage, special operation rescue, etc. • Through the emergency drill, the Company identified the problems in the emergency plan and improved the plan. • Enhancing the familiarity of the person participating in the emergency drill with emergency plans and improving their emergency response capabilities.
Knowledge competition	• Relying on the national production safety month in June, the Company organized the "Ankang" safety knowledge competition to promote the construction of safety culture and improve the safety awareness and quality of our employees.

In 2022, the Group carried out a total of 9 safety, environmental and vocational special inspections for occupational health and safety production, covering the safety inspection of the whole plant before holidays, special inspection of electricity safety, special inspection of flammable and explosive areas, special inspection of hazardous chemicals, etc. Due to the special nature of business, the Group uses and stores a large amount of hazardous chemicals. The Group conducts monthly standing book and on-site supervision and inspection of the hazardous chemical storage department to ensure that the use and storage of chemicals meet the requirements of the public security department.

During the reporting period, the Group had no work-related deaths, fire and explosion, chemical poisoning, occupational disease injuries and other safety accidents.

Training and Development of Employees

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

The Group has formulated the Training Management System, the Internal Training Management System and the Educational Management System for Academic (Degree) Improvement, which clarifies the key tasks of the Group's management, human resources and other departments and employees in the construction of the training system and the promotion of training work. In addition, the Group has developed the Employee Evaluation Management System, which requires to annually conduct evaluation on and provide incentives to employees, professional technicians and college students whose contracts have been maintained for three years, so as to improve their enthusiasm for work and boost their development.

In order to vigorously promote the spirit of craftsman and cultivate a group of high-skilled talents with craftsman spirit and exquisite skills, the Group formulated the Administrative Measures for the Selection of "Xingye Craftsman" in December 2021, to promote the construction of high-skilled talent team of the Group. The selection of "Xingye Craftsman" is conducted once every two years. The first selection of "Industrial Craftsman" was held in December 2021, and the title of "Industrial Craftsman" was granted in January 2022. Those who have been awarded are not qualified for the following selection. No more than 10 Xingye craftsmen will be selected each time, who are recommended based on merits. Subject to the review by the craftsman selection team of the Company, they will be reported to the Company for approval, and commended at the annual commendation meeting. In January 2022, the Group awarded a total of 10 employees with the title of "Xingye Craftsman".

In 2022, the Group organized various trainings, covering safety, quality, craft, equipment, general knowledge, operational skills, production management, professional skills, system, finance, marketing, management capabilities, etc., with a total of 19,505 employees involved and 103,354.5 program hours. In order to improve the skill level of production operators and strengthen the communication between new and existing employees, the Group continues to carry out the Tutor system for them, and achieved notable results in 2022. The survey results showed that through the empowerment of the Tutor system, the turnover rate of employees during the probationary period decreased by 2% as compared with the same period last year, achieving three consecutive years of decline.

2.4 BUILDING A BETTER COMMUNITY

Social Welfare Activities

As an enterprise with a high sense of social responsibility, the Group is concerned about society. In 2022, a number of social welfare activities were carried out to help the community develop. In terms of student aid, the Group donated 15 sets of school uniforms to students in need, and materials with a value of more than RMB30,000. In terms of community volunteer services, the Group actively participated in condolences to the anti-epidemic personnel in Hangzhou Bay New District, and organized and participated in various volunteer activities including "Epidemic Prevention Volunteer Activities in Hangzhou Bay New Area", civilized city construction, "Dining for Little Migratory Birds". Employees conducted volunteer services for more than 1,700 hours.

3 GOVERNANCE: COMPLIANCE OPERATION FOR PROMOTING HIGH-QUALITY DEVELOPMENT

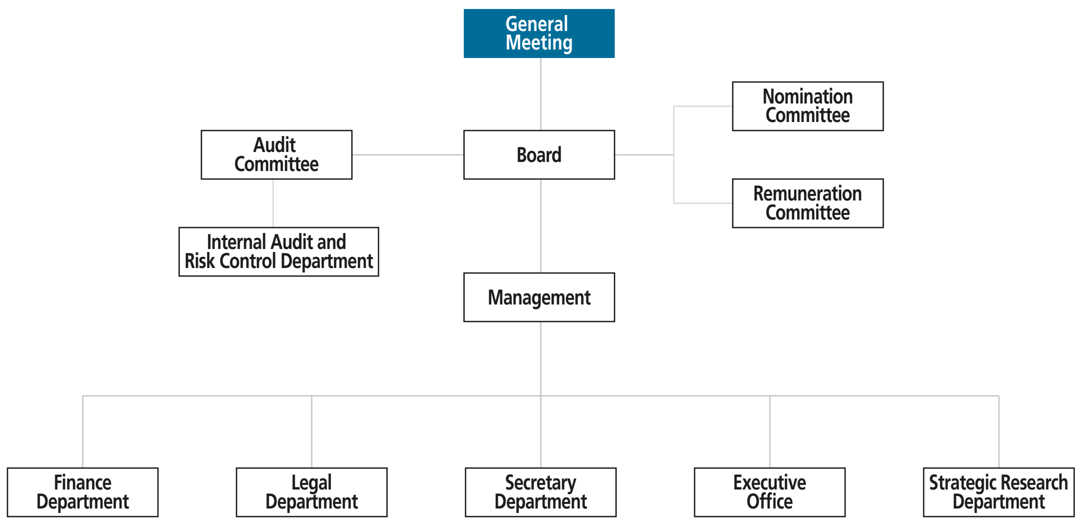
3.1 Corporate Governance

Governance Structure

The Group strictly abides by laws and regulations, including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Model Code for Securities Transactions by Directors of Listed Issuer. In 2022, the Group amended the Shareholders' Communication Policy, the Written Clause on the Methodology for Independent Opinions of the Board of Directors, and the Group Directors Remuneration Policy. The Company's Articles of Association and the amended Written Functional Provisions of the Board of Directors and Management stipulate the management rules for shareholders, general meetings and the Board, and ensure that the Board fully plays its role in major decision-making and operation management. The Group amended the Written Terms on the Division of Duties between the Chairman and the Chief Executive Officer to clearly distinguish the duties of the Chairman and the Chief Executive Officer.

The Group has established an effective governance structure featuring "three meetings and one management" to promote the diversity and independence of the Board, and ensure that the Group operates in compliance with standards and corporate governance is scientific, standardized and transparent. The Group selects and appoints directors and supervisors pursuant to the provisions of the Articles of Association. Xingye Alloy has established the Audit Committee, the Remuneration Committee and the Nomination Committee under the Board.

Management Structure



The Board currently has three executive Directors. The size and composition of the Board are reviewed regularly to ensure that they are well balanced with each Director having sound knowledge, experience and expertise relevant to the business and development of the Group. Moreover, each executive Director is responsible for monitoring and supervising management of specific areas and implementing strategies and policies formulated by the Board.

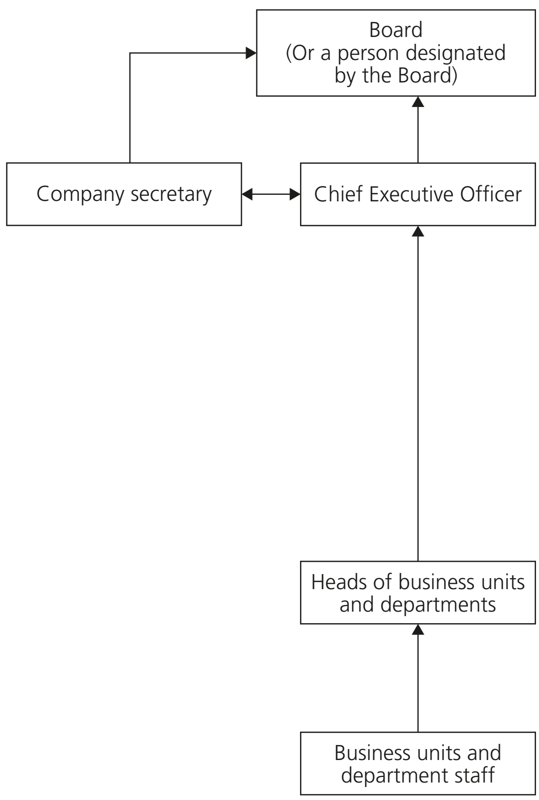
Information Disclosure and Investor Relations Management

The Group convenes and holds general meetings on a regular basis in strict accordance with the Articles of Association to ensure that shareholders have the right to know and participate in major corporate events as stipulated by the laws, administrative regulations, and the Articles of Association of the Company.

Regarding information disclosure, the Group has clarified the relevant responsibility requirements for the Board, chief executive officer, company secretary, business unit and department heads, and business unit and department staff.

Information Disclosure Process

Parties Involved



Responsibility
• Review all relevant details • Decide whether disclosure is required • Approval of announcements and related actions to disclose information (if applicable)
Chief Executive Officer • Review related details • Review whether the Safe Harbor Provisions are applicable • Seek professional advice • Monitor disclosure procedures (if applicable) • Monitor the confidentiality of information • Recommend appropriate actions to the Board Company secretary • Assist in the above matters • Prepare announcements (if applicable)
• Check and evaluate the details reported by staff • Identify potential inside information • Submit all relevant details to the Chief Executive Officer and Company Secretary • Monitor the confidentiality of information
• Collect and collate all relevant details • Report to immediate supervisor (if applicable) • Maintain the confidentiality of information

Note: The Directors shall immediately notify the Board any information that may constitute inside information or any information that needs to be disclosed; employees at different levels shall assume the same responsibility to identify and submit such information to their immediate supervisor or the Chief Executive Officer, as the case may be.

In order to ensure that all shareholders have access to important corporate information in a timely manner, the Company uses its corporate website to communicate information to shareholders, such as announcements, circulars, annual reports and interim reports. Any information or documents published by the Company on the website of the Company and the Exchange's website will also be available in the "Investor Relations" column of the Company's website (www.xingyealloy.com). Other company information related to the business development of the Company, target strategy, corporate governance and risk management can also be available on the Company's website.

According to the Articles of Association, the Company has updated regulations in relation to the Core Shareholder Protection Standards. The Company's website provides an email address and enquiry telephone lines to enable Shareholders to make any enquiries and concerns to the Board. Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling.

To standardize the behavior of related party transactions and reduce unnecessary related party transactions, the controlling shareholders, actual controllers, directors, supervisors and senior management of the Company are prohibited from using related party transactions to harm the interests of the Company and minority shareholders. The Company has formulated and continuously improved the provisions under the Articles of Association, and made detailed requirements on the review and disclosure of related party transactions, and the challenge system, so as to ensure the fairness and impartiality of decisions on the Company's related party transaction for all shareholders.

3.2 Risk Management

The Group strictly complies with relevant regulations and requirements, including the Securities and Futures Ordinance, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and the Guidelines for Disclosure of Inside Information, to continuously establish and improve its internal control system, thus enhancing its risk management level. The Group formulates its Internal Audit System to ensure that the financial risks, operational risks and other risks that the Group is exposed to remain within a controllable range.

The Board is responsible for maintaining the Company's internal control system for risk management. The Board has delegated its responsibility (and related rights) for risk management and internal control to the Audit Committee. The risk management and internal control systems are designed to manage, not eliminate, the risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management Priorities

Risk Identification and Assessment

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

Risk Monitoring and Reporting

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

The Group has set up relevant department for risk control and internal audit of the Group. The review of risk management and internal control will be conducted quarterly. The scope of review was suggested by the Risk Management and Internal Audit Department, and was previously approved by the Audit Committee. The Risk Management and Internal Audit Department has reported major findings and areas for improvement to the Audit Committee. All recommendations from the Risk Management and Internal Audit Department are properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

In 2022, risk points identified by the Group include project development process, product production process, internal audit, environmental safety planning, human resource management, procurement control, and equipment management. All points were designated to the management department, with specified countermeasures.

Type	Risk Point	Responses
Project Development	Unsuccessful new product development, mistakes in new product feasibility plans, and customer complaints/cancellation of orders caused by untimely delivery of product samples	• Carry out feasibility studies for new product selection, collect more information on similar products, discuss with expert teams, conduct plan review after the design and development plan is formulated, specify the person in charge of progress tracking in the design and development plan, and hold design and development meetings at each stage • Communicate with customers in a timely manner to determine the various performance indicators required for finalize samples • Conduct timely testing of parameters that are available for test in the laboratory • Seek for external technical experts for technical support, and actively cooperate with scientific research institutions
Production Process	Mistakes in process dispatch, unqualified products or scrapping, product defects, and insufficient corner materials	• Conduct cross-check after the process technicians arrange the order • Check the product according to the process of "quality standard of work in progress", and regularly calibrate the measuring tools • Any personnel are subject to corresponding skill operation training and the qualification test before commencing work • Make ingredients according to the formula adjustment list

Type	Risk Point	Responses
Internal Audit	Any failure to complete rectification for non-conformities found during the internal audit within the prescribed period	• For the non-conformity items completed beyond the deadline, the assessment shall be conducted in accordance with the assessment requirements in the document on "Operational Effectiveness of Management System" • The system office supervises the progress of the auditors' verification of the "non-conformity report", and any failure to do so as scheduled will cause cancellation of the auditors' reward for such work • For non-conformities that require system planning/ resource supplement and are difficult to complete within 2 months, they will be supervised and implemented as improvement plan items, and the period can be appropriately extended according to planning requirements of the department

Type	Risk Point	Responses
Environmental Safety Planning	Safety accidents, improper management and control of epidemic prevention measures, illegal discharge and disposal in violation of requirements, occurrence of safety accidents and occupational diseases during the inspection or check	• Strengthen supervision, urge employees to wear protective equipment as required, conduct safety training, improve their safety awareness, train and supervise them, and prevent illegal operations • Strictly implement the epidemic prevention requirements • Regularly revise the Company's environmental management system, organize learning and transmission, engage environmental protection stewards to assist with its management, and identify and update environmental protection-related laws and regulations on an annual basis • The Inspection and Management System for Hidden Safety, Environmental and Vocational Dangers requires all departments to study and implement, and carry out hazard source identification every year • Occupational hazard notification cards are posted on the wall and updated annually based on third-party monitoring data of occupational hazards in the workplace • Identify various environmental factors and various hazardous energy, and evaluate major environmental factors and unacceptable risks, and formulate management plans • Appoint relevant personnel to be accountable for the management and control of specific equipment in the workshop, and daily supervision and inspection of the wearing of labor protection equipment in the workshop, and organize personnel to participate in company-level occupational disease health training, and require staff on occupational disease posts to accept occupational disease medical examinations in accordance with national safety regulations

Type	Risk Point	Responses
Equipment Management	Equipment failures that affect the production progress of products, increased restrictions on production electricity, equipment abnormalities, equipment safety accidents that cause serious economic interests and other losses to the Company, and insufficient grinding qualification rate	• Conduct coordination among the procurement, equipment center and production department to repair equipment as soon as possible • Actively communicate with relevant government authorities to increase the available electricity for production, and strictly require the production department to control electricity consumption within the limit • Regularly maintain the equipment according to the annual maintenance plan, and arrange regular trainings for the maintenance personnel and improve their sense of responsibility • Carry out monthly safety education and training in the workshop, and implement the employee assessment system

Type	Risk Point	Responses
Human Resource Management	Risk of resignation of middle and high-level personnel, under-expected effectiveness of employee training, performance evaluation that affects employees' work mood or causes personnel loss, failure to recruit a large number of employees required in a timely manner due to seasonal adjustment of production capacity/ expansion of production scale, legal risks in relation to employment, risk of human resource planning, risk of company secret leakage	• Conduct employee satisfaction survey and deal with their opinions in a timely manner • Formulate a management system for key positions, optimize the welfare of employees in key positions, organize seminars and caring activities • Conduct random check for training assessment and training effect • Adopt KPI quantitative performance evaluation mode, department grading system, and decomposition-based index assessment • List the personnel demand plan in advance based on the previous production capacity and sales distribution, as well as the predictable sales plan • Formulate codes of conduct for employees in accordance with relevant laws and regulations, and provide trainings on legal knowledge for employees • Conduct regular analysis of talent structure • Develop a system for the special management confidential documents, and sign confidentiality agreements with employees

3.3 Compliance Management

Compliance Operation

Compliance operations are the basis for the Group to fulfill its social responsibilities. In 2022, the Group did not violate any laws and regulations related to product quality, customer service, intellectual property protection, environmental protection, and employee employment.

Laws and regulations complied with for compliant operations in 2022	
Product quality	The Product Quality Law of the People's Republic of China, etc.
Customer service	Law of the People's Republic of China on the Protection of Consumer Rights and Interests, etc.
Protection of intellectual property rights	The Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, etc.
Environmental protection	The Law of the People's Republic of China on Environmental Protection, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution
	the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste
	the Law of the People's Republic of China on the Prevention and Control of Water Pollution
	the Cleaner Production Promotion Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, etc.
Employment and labour	The Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China
	the Social Insurance Law, the Labour Dispute Mediation and the Arbitration Law, the Trade Union Law
	the Law of the People's Republic of China on the Protection of Women's Rights and Interests, Protection Measures of Female Staff and Workers of Zhejiang Province, etc.
Occupational health and safety	The Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, Zhejiang Provincial Regulations on the Prevention and Control of Occupational Diseases, etc.
Commercial morality	The Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China
	the Interim Provisions on the Prohibition of Commercial Bribery, China Internal Auditing Standards
	Basic Rules for Internal Control of Enterprises, etc.

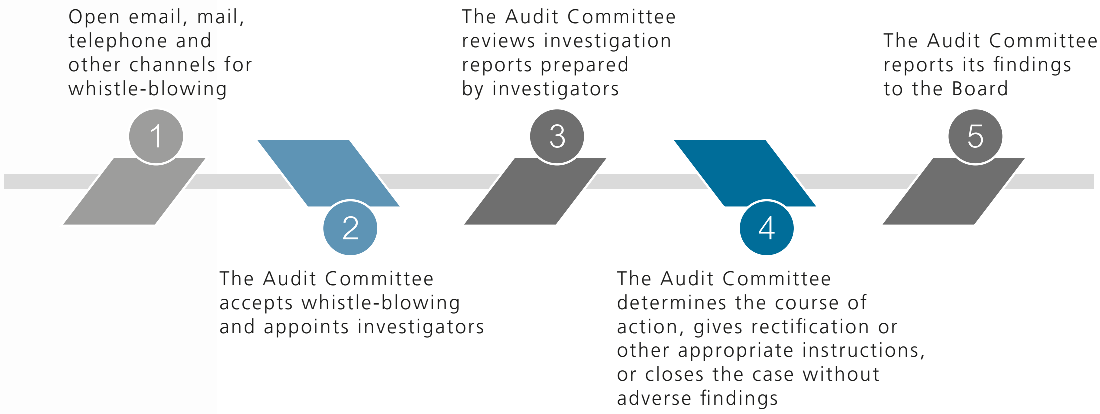
Anti-corruption and Anti-bribery

Anti-corruption is the focus of the Group's compliance management. In strict compliance with laws and regulations including the Interim Provisions on the Prohibition of Commercial Bribery, the Law of the People's Republic of China on Anti-money Laundering, the Overseas Prevention of Corruption Act, the Group has formulated Integrity Management Program, Gift Management System, Sunshine Procurement System and other management protocols to enforce pre-event prevention and post-event supervision on anti-corruption management with strict standards, and regularly conduct anti-corruption training for all employees to cultivate employees' anti-corruption awareness.

In 2022, the Group amended the Implementation Regulations on Integrity Management and the Anti-Corruption Policy, stipulating that all business departments and employees of the Group should comply with applicable anti-corruption, anti-bribery and anti-fraud responsibilities, so as to promote the Group's integrity construction and ensure the healthy and harmonious development of employees and the Group. In order to inform employees of their responsibilities to ensure that the Group does not violate the Overseas Prevention of Corruption Act, the Group has newly formulated a document on the Overseas Anti-Bribery System, which improves anti-bribery guidelines, accounting standards, and clarifies handling methods and contents of reporting violations.

Action measures	Anti-corruption in the procurement process is the main task of the Company's anti-corruption work. The Company has sighed the Undertaking of Integrity and Self-Discipline for Employees with all employees of the procurement department of the Company, and the Sunshine Agreement with suppliers to convey the anti-corruption and antibribery principles to employees and suppliers.
	In 2022, the Company revised the Provisions for the Implementation of Integrity Management to encourage employees to make general provisions for all employees, encouraging them to report violations of integrity standards, and specifying standard disciplinary measures.
	The Overseas Anti-bribery System clearly states that whistleblowers can report to their direct supervisors or the Company's general manager office by email or telephone. The Company strictly keeps the whistleblowers' reporting information confidential, and prohibits retaliation against whistleblowers so as to protect the privacy of whistleblowers.

Whistle-blowing and Handling Process



The Group arrange training for employees of various departments on the revised content of the Provisions for the Implementation of Integrity Management (Revised) and other documents in the way of ppt lectures, including the defined boundaries of business entertainment and bribery, etc., so as to ensure that employees understand the update regulations on the integrity management of the Group, ad practice in their work.

The Group adheres to zero tolerance for corruption, and protects its legitimate rights and interests in accordance with the laws. During the reporting period, the Group was not involved any incidents of corruption, bribery, extortion, fraud and money laundering, and lawsuits arising from the above matters.

4 KEY QUANTITATIVE PERFORMANCE TABLE

Social Performance

Number of Employees

Indicators		Unit	2020	2021	2022
Total employees		person	1,336	1,391	**1,405**
By gender	Male	person	1,107	1,156	**1,159**
	Female	person	229	235	**246**
By employment type	Labor contract system	person	1,293	1,349	**1,359**
	Other employment forms[1]	person	43	42	**46**
By age group	>50 years old	person	211	227	**249**
	30 to 50 years old	person	788	825	**832**
	<30 years old	person	337	339	**324**
By region	Mainland employees	person	1,329	1,384	**1,398**
	Foreign employees[2]	person	7	7	**7**

Notes:

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

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

Employment and Labor Practices

Indicators		Unit	2020	2021	**2022**
Employee turnover rate[1]		%	27.70	22.07	**20.06**
By employment type	Female[1]	%	24.76	12.50	**23.46**
	Male	%	28.29	24.00	**19.34**
By age group	>50 years old	%	6.34	9.01	**7.38**
	30 to 50 years old	%	23.06	16.57	**18.84**
	<30 years old	%	53.07	43.95	**32.72**
By region	Mainland employees	%	27.70	22.07	**20.06**
	Foreign employees	%	0	0	**0**
Number of labor dispute events		case	0	0	**0**
Funds for all kinds of subsidies, free shuttle bus and dormitory accommodation		RMB10,000	282	329	**358**
Number persons who benefit from all kinds of subsidies, free shuttle bus and dormitory accommodation		person	2,663	2,951	**3,052**
Employee satisfaction survey result		point	78.0	80.0	**79**
Number of employees in posts exposed to occupational disease risk		person	474	546	**579**
Number of employees suffering occupational diseases		person	0	0	**0**
Incidence of occupational disease		%	0	0	**0**
Percentage of employees participating in occupational physical examination among those who are engaged in work in which occupational health risk may exist[2]		%	100	100	**100**
Number of work-related fatalities		person	0	0	**0**
Ratio of work-related fatalities		%	0	0	**0**
Lost days due to work injury[4]		day	681	560	**220**
Total input for safety operation		RMB10,000	670	550	**600**
Attendance at safe production training		person	2,350	2,280	**2,500**
Number of safe production trainings		time	108	91	**114**
Number of emergency drill activities		time	7	8	**8**
Number of employees participating in emergency drill activities		person	175	212	**232**
Number of events on violation of safety laws and regulations		time	0	0	**0**
Number of major accidents		case	0	0	**0**
Percentage of employees trained		%	100	100	**100**
Percentage of male employees trained[3]		%	100	100	**82.59**
Percentage of female employees trained[3]		%	100	100	**17.41**
Percentage of junior employees trained[3]		%	100	100	**86.17**
Percentage of middle level employees trained[3]		%	100	100	**9.1**
Percentage of senior management employees trained[3]		%	100	100	**4.73**

Indicators	Unit	2020	2021	2022
Average training hours per employee	hour	26.3	26.3	**26.90**
Average training hours per male employee	hour	25.9	25.95	**26.43**
Average training hours per female employee	hour	27.8	28.24	**29.15**
Average training hours per junior employee training	hour	24.47	24.53	**25.21**
Average training hours per middle level employee	hour	40.28	40.42	**40.70**
Average training hours per senior management employee	hour	37.49	37.28	**38.80**

Notes:

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

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

In 2022, as a total of 20 female employees left the Company during their probationary period, the turnover rate of female employees recorded a significant increase as compared with 2021.

2 Percentage of employees participating in occupational physical examination among those who are engaged in work in which occupational health risk may exist is calculated based on the following formula: number of employees in occupational disease risk positions/number of employees participating in occupational physical examination × 100%.

3 There are changes in the calculation method of the employee coverage rate, in 2022, which has been updated to: number of employees of a particular category receiving training (at the end of the period)/total number of employees receiving training × 100%.

4 In 2022, as employees had minor work-related injuries, the number of lost days due to work injury dropped significantly as compared with 2021.

Supply Chain Management Performance

Indicators		Unit	2020	2021	2022
Total number of suppliers		one	893	801	**796**
By region	Local suppliers	one	880	792	**785**
	Overseas suppliers	one	13	9	**11**
Number of visits		time	49	37	**49**
Number of suppliers assessed from the environment, labour and moral perspectives based on the Company's supplier assessment system		one	49	37	**49**
Compliance training hours for supplier		hour	9	8	**8**
Number of persons participating in compliance training from supplier		person	66	16	**16**

Product Responsibility Performance

Indicators	Unit	2020	2021	2022
Percentage of products that must be recalled for safety and health reasons in the total products that have been sold or delivered	%	0	0	**0**
Number of customer complaints due to product quality or service	time	1,140	1,129	**1,263**
Complaint handling rate[1]	%	100	100	**100**
Fund input for technology innovation and R&D	RMB10,000	12,910	14,243	**13,242**
National awards and subsidies for technology innovation and R&D	RMB10,000	272.2	962	**705**
Number of patent applications	piece	7	6	**10**
Number of patents granted	piece	8	3	**8**

Note:

1 The complaint handling rate was calculated using the following formula:

$$\text{Complaint handling rate} = \frac{\text{Number of handled complaints}}{\text{Total number of complaints received}} \times 100\%.$$

Anti-corruption Performance

Indicators	Unit	2020	2021	2022
Number of corruption lawsuits brought against the Company and its employees	time	0	0	**0**
Number of reports of corruption from employees	time	0	0	**0**
Number of employees participating in anti-corruption related training	person	1,258	1,420	**1,490**
Anti-corruption training hours for employees	hour	2,500	2,850	**2,980**
Number of senior management members participating in anti-corruption training	person	23	24	**26**
Number of middle management members participating in anti-corruption training	person	75	87	**87**
Number of grassroots employees participating in anticorruption training	person	1,157	1,271	**1,283**
Attendance of anti-corruption training of the Board	time	3	3	**6**
Anti-corruption training hours of the Board	hour	6	6	**18**

Community Investment Performance

Indicators	Unit	2020	2021	2022
Total input in public services[1]	RMB10,000	11.78	26.00	**12.00**
Of which: Input in charitable donations[1]	RMB10,000	3.78	4.00	**11.70**
Number of employees participating in volunteer activities[2]	person	218	86	**550**
Total hours of employees participating in volunteer activities[3]	hour	3,570	586	**1,700**

Notes:

1 In 2022, the Company reduced its public welfare sponsorship expenses. It raised RMB100,000 for a critically ill employee among the charitable donations, representing a significant increase in the growth rate as compared with 2021.

2 In 2022, the Company actively participated in volunteer activities organized by the new district, and arranged volunteer activities throughout the year, and accordingly the number of participants increased significantly as compared with 2021.

3 In 2022, the frequency of internal and new district volunteers arranged by the Company was higher than in 2021, and the Company actively designated employees to participate in activities organized by the government in respect of the 20th National Congress of the Communist Party of China. Therefore, the duration of employee volunteer activities increased significantly as compared with 2021.

Environmental Performance

Indicators[1]		Unit	2020	2021	2022
Power consumption		MWh	164,160	217,230	**209,249**
Of which, total solar power		MWh	6,107	6,563	**6,672**
Natural gas consumption		m^3	12,995,668	14,213,240	**12,806,233**
Water consumption[2]		m^3	443,230	450,000	**350,000**
Circulating water consumption		m^3	392,372	395,483	**422,000**
Reuse ratio of water resources		%	89	91	**92**
Power consumption per unit product[3]		kWh/tonne product	1,522.00	1,384.90	**1,507.65**
Natural gas consumption per unit product		m^3/tonne product	93	91	**92.27**
Comprehensive energy consumption per unit product (electricity + natural gas)		kWh/tonne product	2,440.71	2,365.50	**2,430.34**
Water consumption per unit product		m^3/tonne product	3	3	**2.52**
Diesel and gasoline consumption of shuttle bus and vehicles for employees	Diesel[3]	liter	102,072	1,819,089	**161,500**
	Gasoline	liter	–	30,108	**33,501**
Total packaging materials used for shipment of finished product		tonne	2,407	3,594	**3,538**
Use of packaging materials (wood) for finished products[4]		tonne	1,524	1,840	**2,988**
Use of packaging materials (corrugating medium) for finished products		tonne	468	505	**550**
Use of packaging materials used for shipment of finished products per unit product		kg/tonne product	18.33	22.91	**25.49**
Industrial waste water discharge[2]		m^3	176,774	54,517	**38,000**
Industrial waste water discharge per unit product		m^3/tonne product	1.35	0.35	**0.27**
Production of hazardous wastes		tonne	1,538	1,438	**1,334**
Production of hazardous wastes intensity		kg/tonne product	11.71	9.17	**9.61**
Production of non-hazardous wastes		tonne	3,513	3,604	**3,590**
Production of non-hazardous wastes intensity		kg/tonne product	26.76	22.97	**25.87**
Total emissions of greenhouse gas (Scope 1)[5]		tCO_2e	28,416.78	35,792.89	**28,369.01**
Total emission of greenhouse gas (Scope 2)[6]		tCO_2e	162,685.29	122,397.53	**115,529.78**
Total emission of greenhouse gas[6]		tCO_2e	191,102.07	158,190.42	**143,898.79**
Emission intensity of greenhouse gases[6]		tCO_2e/tonne product	1.46	1.01	**1.04**
Number of fines imposed due to violation acts in discharge of pollutants		time	0	0	**0**

Notes:

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

2 As compared with 2021, the Company's output decreased in 2022, and accordingly water consumption and industrial wastewater discharge dropped significantly as compared with 2021.

3 Data on the electricity consumption and diesel consumption per unit product, as well as the corresponding greenhouse gas emissions and greenhouse gas emission intensity for 2021 had been traceably updated, and the data disclosed in this report shall prevail. Compared with 2021, in addition to the decreased production volume of the Company in 2022, the Company has increased the proportion of clean energy, resulting in a significant decrease in diesel consumption.

4 In 2021, the statistical unit for the use of packaging materials (wood) for finished products was cubic meters, which has be adjusted to tonne in 2022. Therefore, as compared with 2021, the data in 2022 recorded a significant increase.

5 Scope 1 emission of greenhouse gas comes from the greenhouse gas emission generated by the liquefied natural gas, gasoline and diesel consumption of the Company. The emission coefficients related to gasoline and diesel refer to the coefficients in How to Prepare an Environmental, Social and Governance Report – Appendix 2: Reporting Guidance on Environmental KPIs published by the Hong Kong Stock Exchange (updated in March 2022).

6 Scope 2 emission of greenhouse gas comes from the greenhouse gas emission generated by purchased power other than solar power. This indicator is calculated based on power consumption data and grid emission coefficient. The emission coefficient in 2020 adopted the grid emission factor of 0.7035 kg CO_2/kWh in East China (Data source: Development and Reform Commission of the People's Republic of China (2012)). In 2021, the emission coefficient adopted the national grid average emission factor of 0.5810 kg CO_2/kWh (Data source: Ministry of Ecology and Environment of the People's Republic of China (2022)). The calculation for 2022 was based on the Notice on Doing a Good Job in the Reporting and Management of Greenhouse Gas Emissions of Power Generation Enterprises from 2023 to 2025 issued by the Ministry of Ecology and Environment of China, and the emission coefficient adopted the grid emission factor of 0.5703 t CO_2/MWh.

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

Part B: Mandatory Disclosure Requirements

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

Part C: "Comply or Explain" Provisions

Aspect, General Disclosure and Key Performance Indicators	Sections
A. Environment	
A1. Emissions	ESG Governance Structure Environmental Management Emission and Waste Management
A1.1	Emission and Waste Management Key Quantitative Performance Table
A1.2	Key Quantitative Performance Table
A1.3	Key Quantitative Performance Table
A1.4	Key Quantitative Performance Table
A1.5	The Board's Statement on ESG management
A1.6	The Board's Statement on ESG management
A2. Use of Resources	Environmental Management Use and Management of Resources
A2.1	Use and Management of Resources Key Quantitative Performance Table
A2.2	Key Quantitative Performance Table
A2.3	The Board's Statement on ESG management
A2.4	The Board's Statement on ESG management
A2.5	Key Quantitative Performance Table
A3. The Environment and Natural Resources	Use and Management of Resources
A3.1	Use and Management of Resources
A4. Climate Change	Climate Change Adaption
A4.1	Climate Change Adaption

Aspect, General Disclosure and Key Performance Indicators	Sections
B. Social	
Employment and Labor Practices	
B1. Employment	Compliance Management Supporting Employee Development
B1.1	Key Quantitative Performance Table
B1.2	Key Quantitative Performance Table
B2. Health and Safety	Supporting Employee Development
B2.1	Key Quantitative Performance Table
B2.2	Key Quantitative Performance Table
B2.3	Supporting Employee Development
B3. Development and Training	Supporting Employee Development
B3.1	Key Quantitative Performance Table
B3.2	Key Quantitative Performance Table
B4. Labour Standards	Supporting Employee Development
B4.1	Rights and Development of Employees
B4.2	No violation
Operating Practices	
B5. Supply Chain Management	Responsible Supply Chain
B5.1	Key Quantitative Performance Table
B5.2	Responsible Supply Chain Key Quantitative Performance Table
B5.3	Responsible Supply Chain
B5.4	Responsible Supply Chain
B6. Product Responsibility	Quality Products and Services
B6.1	Quality Products and Services Key Quantitative Performance Table
B6.2	Quality Products and Services
B6.3	Quality Products and Services
B6.4	Quality Products and Services
B6.5	Quality Products and Services
B7. Anti-corruption	Compliance Management
B7.1	Compliance Management
B7.2	Compliance Management
B7.3	Compliance Management Key Quantitative Performance Table
Community	
B8. Community Investment	Building a Better Community
B8.1	Building a Better Community
B8.2	Key Quantitative Performance Table

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

A review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results, important events affecting the Group since the end of the financial year and financial position as well as the outlook of the Group's business are provided in the "Chairman's Statement" and "Management Discussion & Analysis" on page 4 and pages 5 to 11 of this annual report. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report particularly in the section of "Management Discussion & Analysis" on page 11 of this annual report. Environmental policies and performance, compliance with the relevant laws, rules and regulations as well as relationships with employees, customers and suppliers are provided in this annual report and "Environmental, Social and Governance Report" from pages 26 to 85 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the accompanying financial statements on page 110.

The Board does not recommend the payment of any dividend for the year ended 31 December 2022.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 199 to page 200.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 28 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group as at 31 December 2022 are set out in note 22 to the financial statements.

SHARE CAPITAL AND RESERVES

Details of the movements in the share capital and reserves of the Group and the Company during the year ended 31 December 2022 are set out in note 26 to the financial statements.

USE OF PLACING PROCEEDS

The Group completed the placing of 85,000,000 new shares of the Company (the "**Placing**") under the general mandate on 26 July 2021.

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

Intended use of placing proceeds	Total proceeds	Unutilised amount as at 31 December 2021	Utilised amount during the year ended 31 December 2022	Unutilised amount as at 31 December 2022
Construction of new workshops	HKD60,000,000	HKD7,000,000	HKD7,000,000	–
General Working Capital	HKD19,968,000	–	–	–

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2022 calculated under the Companies Act of the Cayman Islands amounted to RMB798,544,000.

REPORT OF THE DIRECTORS

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the aggregate revenue from sales of goods attributable to the five largest customers and the largest customer of the Group accounted for approximately 13.3% and 3.2% of the Group's aggregate revenue from sales of goods respectively, while the aggregate purchases attributable to five largest suppliers and the largest supplier of the Group accounted for approximately 47.4% and 24.5% of the Group's aggregate purchases respectively.

At no time during the year ended 31 December 2022 have the Directors, their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's total issued shares) had any interests in such major customers or suppliers.

SHARE AWARD SCHEME

As announced by the Company on 18 April 2016, the Board resolved to adopt a share award scheme (the "**Share Award Scheme**") in which Employees (other than Excluded Employees) may be selected by the Board to participate.

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

The purpose of the Share Award Scheme is to permit the Company to grant awards to selected employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. Employee(s) include(s) any employee and director (including without limitation any executive director and non-executive director) of any member of the Group whereas the excluded employee(s) include(s) any employee who is resident in a place where the award of the Awarded Shares (as defined hereinbelow) and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Trustee (as defined hereinbelow) (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such employee.

The maximum number of shares that may be awarded under the Share Award Scheme ("**Awarded Shares**") during its term is limited to 20% of the total issued shares of the Company as at the adoption date of 18 April 2016 ("**Adoption Date**"). The maximum number of Awarded Shares that may be granted to any one selected employee shall not exceed 5% of the total issued shares of the Company as at the Adoption Date.

Pursuant to the Share Award Scheme, shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Stock Exchange, by the trustee ("**Trustee**") at the cost of the Company and will be held by the Trustee on trust for selected employee(s) under the Share Award Scheme before vesting. The Board may, from time to time, grant such number of Awarded Shares to any selected employee at no consideration and in such number and subject to such terms and conditions (including vesting period) as it may in its absolution discretion determine, pursuant to the Share Award Scheme. The Share Award Scheme is a discretionary scheme of the Company.

As announced by the Company on 5 May 2016, the maximum number of new shares to be issued by the Company in respect of any financial year of the Company for satisfying the Awarded Shares granted under the Share Award Scheme will be limited to 2% (i.e. 16,222,319 shares) of the total issued shares of the Company as at Adoption Date. As at 1 January 2022, 31 December 2022 and the date of this annual report, the maximum number of new shares of the Company to be issued under the Share Award Scheme was 16,222,319, representing 1.80% of the total issued shares of the Company as at the date of this annual report. The maximum number of new shares to be issued by the Company in respect of any 12-month period for satisfying the Awarded Shares granted to any one selected employee under the Share Award Scheme will not exceed 1% (i.e. 8,111,159 shares) of the total issued shares of the Company as at the Adoption Date.

During the year ended 31 December 2022, no new shares were subscribed by the Trustee, and 5,450,000 shares were vested under the Share Award Scheme. Accordingly, since the Adoption Date and up to 31 December 2022, there were 9,937,000 shares held in trust under the Share Award Scheme.

On 17 December 2021, the Board granted a total of 10,900,000 Awarded Shares (the "**December 2021 Awarded Shares**"), to 11 selected participants pursuant to the Share Award Scheme, among whom (i) 5 are unconnected grantees and (ii) 6 are connected grantees with nil consideration. All the December 2021 Awarded Shares were purchased by the Trustee from the open market to satisfy the awards to the selected participants. Half of the December 2021 Awarded Shares were vested on 17 December 2021, while the remaining December 2021 Awarded Shares were vested on 19 December 2022.

Subject to any early termination as may be determined by the Board pursuant to the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date. The remaining life of the Share Award Scheme is approximately 3 years.

Movement of the Share Award Scheme are also set out in note 28(c) to the financial statements.

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

The table below shows the movements of the Awarded Shares granted under the Share Award Scheme during the year ended 31 December 2022:

		Number of shares				
Participants	**Date of grant**	**Outstanding unvested awards as at 1 January 2022**	**Vested during the year ended 31 December 2022**	**Lapsed during the year ended 31 December 2022**	**Outstanding unvested awards as at 31 December 2022**	**Vesting date**
Directors						
HU Changyuan	17/12/2021	1,500,000	1,500,000	–	–	On 19/12/2022
HU Minglie	17/12/2021	1,500,000	1,500,000	–	–	On 19/12/2022
ZHU Wenjun	17/12/2021	500,000	500,000	–	–	On 19/12/2022
CHAI Chaoming	17/12/2021	50,000	50,000	–	–	On 19/12/2022
LOU Dong	17/12/2021	50,000	50,000	–	–	On 19/12/2022
LU Hong	17/12/2021	50,000	50,000	–	–	On 19/12/2022
Other Selected Employees	17/12/2021	1,800,000	1,800,000	–	–	On 19/12/2022

Notes:

1. The weighted average closing price of the shares of the Company immediately before the date on which Awarded Shares were vested was HKD1.02:

2. For the year ended 31 December 2022, no share awards were grated, or cancelled under the Share Award Scheme and therefore, no shares of the Company are expected to be issued in relation to the share awards, and the proportion of such shares divided by the weighted average number of shares of the Company in issue for the year ended 31 December 2022 would be nil..

SHARE OPTION SCHEME

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

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

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

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

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

Based on the above and that the Company has not granted any options since adoption of the Share Option Scheme, as at 1 January 2022, 31 December 2022 and the date of this annual report, a total of 81,111,595 shares of the Company (representing approximately 9.02% of the issued shares of the Company as at the date of this annual report) may be issued upon exercise of all options which may be granted under the Share Option Scheme.

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

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

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

Subject to early termination by the Company at general meeting or by the Board of Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption, i.e. 27 May 2016. The remaining life of the Share Option Scheme is approximately 3 years.

For the year ended 31 December 2022, no options had been granted, exercised, lapsed, cancelled or outstanding under the Share Option Scheme and therefore, no shares of the Company are expected to be issued in relation to the options, and the proportion of such shares divided by the weighted average number of shares of the Company in issue for the year ended 31 December 2022 would be nil.

DIRECTORS

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

Executive Directors

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

Independent Non-Executive Directors

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company, and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Directors	Capacity/Nature of Interest	Number of Shares held	Number of Underlying Shares held	Approximate percentage of shareholding *(Note 1)*
HU Changyuan	Founder of a discretionary trust/ other Interest	274,200,000 *(Note 2)*	–	30.48%
	Interest of a controlled corporation/ corporate interest	13,213,000 *(Note 3)*	–	1.47%
	Beneficial owner/personal Interest	3,500,000	–	0.39%
HU Minglie	Beneficial owner/personal Interest	6,603,000	–	0.73%
CHAI Chaoming	Beneficial owner/personal Interest	434,000	–	0.05%
LU Hong	Beneficial owner/personal Interest	500,000	–	0.06%
ZHU Wenjun	Beneficial owner/personal interest	1,500,000	–	0.17%
LOU Dong	Beneficial owner/personal interest	300,000	–	0.03%

Notes:

1. The percentages are calculated based on the total issued shares of 899,558,173 as at 31 December 2022.

2. These 274,200,000 shares were held by Luckie Strike Limited and Come Fortune International Limited which was wholly owned by Dynamic Empire Holdings Limited. The entire issued share capital of Dynamic Empire Holdings Limited was beneficially owned by the Hu Family Trust which was founded by Mr. HU Changyuan. Mr. HU was deemed to be interested in these shares by virtue of the SFO.

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

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company held or was deemed to hold any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (as defined in the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were required to be recorded in the register required to be kept pursuant to section 352 of the SFO, or is otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than disclosed in the section of "Share Option Scheme" above, at no time during the year ended 31 December 2022 was the Company, its parent company (if any), or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, the following persons or corporations (other than the directors' interests disclosed in the section headed "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures") had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Number of Underlying Shares	Approximate percentage of shareholding *(Note 1)*
Luckie Strike Limited	Beneficial owner/Beneficial interest	110,000,000 (L)	–	12.23%
Come Fortune International Limited	Beneficial owner/Beneficial interest	164,200,000 (L)	–	18.25%
Dynamic Empire Holdings Limited *(Note 2)*	Interest of a controlled corporation/Corporate interest	274,200,000 (L)	–	30.48%
Zedra Trust Company (Singapore) Limited *(Note 2)*	Trustee (other than a bare trustee)/Other Interest	274,200,000 (L)	–	30.48%
Zedra Malta Limited *(Note 3)*	Interest of a controlled corporation/Corporate interest	274,200,000 (L)	–	30.48%
Zedra Holding SA *(Note 3)*	Interest of a controlled corporation/Corporate interest	274,200,000 (L)	–	30.48%
Zedra SA *(Note 3)*	Interest of a controlled corporation/Corporate interest	274,200,000 (L)	–	30.48%
YU Yuesu *(Note 4)*	Interest of spouse/Family interest	290,913,000 (L)	–	32.34%
bostone Group Limited *(Note 5)*	Beneficial owner/Beneficial interest	164,812,000 (L)	–	18.32%
Xie Shicai *(Note 5)*	Interest of a controlled corporation/Corporate interest	206,930,000 (L)	–	23.00%
Ma Jiafeng *(Note 5)*	Interest of a controlled corporation/Corporate interest	206,930,000 (L)	–	23.00%

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

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

Notes:

1. The percentages are calculated based on the total issued shares of 899,558,173 as at 31 December 2022.

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

3. Zedra SA through its 100% controlled corporations (including Zedra Holding SA, and Zedra Malta Limited), is interested in 274,200,000 shares which were held by Zedra Trust Company (Singapore) Limited (formerly known as Barclays Wealth Trustees (Singapore) Limited) as trustee as referred to note 2 above. Zedra Trust Company (Singapore) Limited was indirectly wholly owned by Zedra SA. Each of Zedra SA, Zedra Holding SA and Zedra Malta Limited was deemed to be interested in all the shares in which Zedra Trust Company (Singapore) Limited was interested by virtue of the SFO.

4. Ms. YU Yuesu was deemed to be interested in these shares under the SFO by virtue of being the spouse of Mr. HU Changyuan.

5. As per the notifications filed by Ms. Ma Jiafeng ("**Ms. Ma**") and Mr. Xie Shicai ("**Mr. Xie**") respectively on 2 March 2022, these 206,930,000 shares comprises (i) 164,812,000 shares held by bostone Group Limited, which in turn beneficially owned by Ms. Ma as to 65.67% and by Mr. Xie as to 34.33% respectively; and (ii) 42,118,000 shares held by Hong Kong Nes International New Energy Limited, which in turn beneficially owned by Mr. Xie as to 34.93%. Both Ms. Ma and Mr. Xie are deemed to be interested in the above shares by virtue of the SFO. To the best knowledge of the Directors, Mr. Xie is the ultimate controlling shareholder of Ningbo Boway Alloy Materials Company Limited, a listed company in Shanghai Stock Exchange (Stock Code: 601137.SH). Ms. Ma is the spouse of Mr. Xie. Ningbo Boway Alloy Materials Company Limited manufactures and sells high-performance, high-precision, non-ferrous alloy bars, wires and plate-strips, and is a direct competitor of the Group's copper processing business.

Save as disclosed herein, as at 31 December 2022, so far as the Directors are aware, there were no other persons, other than the Directors and chief executive of the Company, who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

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

REPORT OF THE DIRECTORS

CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the year ended 31 December 2022.

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance in relation to the Company's business to which the Company, any of its subsidiaries, its holding company or its fellow subsidiaries was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors were interested in any business apart from the Group's businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group during the year ended 31 December 2022.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in note 31 to the financial statements. Those related party transactions constituted exempted connected transactions under the Listing Rules and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in the section of "Purchase, Sale or Redemption of Listed Securities" in the "Management Discussion and Analysis" in this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

STRUCTURED CONTRACTS

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

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

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

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

As a result of the Structured Contracts, the financial results of Funnytime, Soul Dargon Limited, Hefei Yueyou, Ningbo Longao, and the PRC Operating Entities (collectively the "**Funnytime Group**") were consolidated by the Company since the acquisition date. For the year ended 31 December 2022, the revenue, net loss and total assets contributed by the Funnytime Group to the Group amounted to respectively RMB13.6 million, RMB0.2 million and RMB50.5 million, of which Ningbo Longao and Ningbo OPCO recorded nil revenue and net loss of RMB1.2 million with RMB36.7 million in total assets.

Reasons for using the Structured Contracts

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

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

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

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

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

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

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

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

For the year ended 31 December 2022, there was no material change in the Structured Contracts. As of the date of this annual report, there is no unwinding of any of the Structured Contracts.

MANAGEMENT CONTRACTS

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

The Company has complied with the code provisions set out in the Corporate Governance Code in Appendix 14 of the Listing Rules during the year ended 31 December 2022. Details of the corporate governance practices of the Company are set out in the Corporate Governance Report in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

TAX RELIEF

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

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three independent non-executive Directors, namely, Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong. The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2022 and has also discussed audit, risk management, internal control, continuing connected transactions (if any) and financial reporting matters including accounting practices and principles adopted by the Group.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by KPMG. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting.

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

Hong Kong, 31 March 2023

BIOGRAPHICAL DETAILS OF THE DIRECTORS

EXECUTIVE DIRECTORS

Mr. HU Changyuan, aged 74, is an executive Director and Chairman of the Board of the Company since 13 September 2007. Mr. HU was recognized as a senior economist by the Municipal Personnel Bureau of Zhejiang Province (浙江省人事廳) in 1995. He is the founder of the Group. Mr. HU has more than 30 years of experience in the copper plates and strips industry. He was a committee member of the first council of the China Nonferrous Metals Industry Association (中國有色金屬工業協會) (the "**CNMFIA**"), a member of the People's Political and Consultation Commission of Cixi City (慈溪市政協) and was a representative to the People's Congress of Ningbo City (寧波市人大). Mr. HU was awarded the title of "Labor Model of Ningbo City" (寧波市勞動模範) by Ningbo People's Government (寧波市人民政府) in 1991. In 2005, Mr. HU served as a vice president of the Zhejiang Charity Federation (浙江省慈善總會). In 2005, Mr. HU was awarded Zhejiang Charitable Individual (浙江慈善個人獎) by the People's Government of Zhejiang. He was also awarded the title of outstanding Chinese Entrepreneur (中國優秀企業家) by the Chinese International Hua Shang Association (中國國際華商會) and International Hua Shang Magazine (國際《華商》雜誌社) in 2006. In 2007, he was awarded "Outstanding Contributions to Chinese Charities" (中華慈善事業突出貢獻獎) and the title of "China's Charity Figure" (中華慈善人物) by China Charity Federation (中華慈善總會). Mr. HU is the father of Mr. HU Minglie and a director of Luckie Strike Limited and Come Fortune International Limited, substantial shareholders within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. HU Minglie, aged 41, is an executive Director of the Company and Chief Executive Officer of the Group since 17 November 2014. He graduated from the University of Arizona with a master degree in Optical Science Engineering, and has received a MBA degree from UCLA Anderson School of Management. Mr. HU is the founding partner and chairman of Lighthouse Capital Management LLC (the "**Lighthouse Capital**"), an equity investment fund management company established in Mainland China. At the time when he established Lighthouse Capital, he had been the partner of Tianjin Raystone Taihe Fund Management LLP, another equity investment fund management company established in Mainland China, for more than four years. During his service in Lighthouse Capital, he was responsible for the structuring and management of two funds with assets under management of over RMB300 million. The funds invested in more than 20 growth oriented projects in China and overseas, which were mainly medical, equipment and mobile internet projects. Mr. HU has also actively participated in the charity activities in Mainland China and Hong Kong, and is the director of Cixi Xingye Xi Yang Hong Charitable Foundation and Si Ming Care for Aged and Children Charitable Foundation Limited. Mr. HU is the son of Mr. HU Changyuan.

Mr. ZHU Wenjun, aged 41, is an executive Director of the Company since 18 October 2016 and the Chief Financial Officer of the Company since April 2015. He is also a member of Remuneration Committee of the Company. Prior to joining the Group, he worked with Shanghai Guohe Capital, where he had led private equity investment deals in media, software, internet and financial services sectors. Mr. ZHU has over 15 years of experience of finance, investment and corporate management. He started his career with KPMG assurance services, and also worked at Deloitte Financial Advisory with its Corporate Restructuring Services. Mr. ZHU holds an M.B.A. degree from UCLA Anderson School of Management, and bachelor's degree in law from Shanghai University of International Business and Economics.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAI Chaoming, aged 53. is an independent non-executive Director of the Company since May 2009. He is the chairman of Audit Committee and Nomination Committee of the Company. He graduated and obtained a Bachelor degree in economics from Shanghai University of Finance & Economics and a Master degree in business administration from Guanghua School of Management of Beijing University. Mr. CHAI is a partner of Raystone Capital Management, LLP, a fund which focuses on private equity investment in China. Mr. CHAI has extensive corporate management and investment experience. Mr. CHAI was an independent non-executive director of Tangshan Jidong Cement Company Limited (stock code: 000401.SZ), a company listed on the Shenzhen Stock Exchange Limited in China and his appointment ceased on 2 March 2021.

Dr. LOU Dong, aged 41, is an independent non-executive Director of the Company since August 2015. He is also the chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Company. He graduated from Columbia University with a degree of Bachelors of Computer Science in 2004 and obtained a doctoral degree from Yale University in Financial Economics in 2009. Dr. LOU worked as an assistant professor in Finance at the London School of Economics and Political Science from 2009–2015, where he is currently an associate professor (tenured professor) in Finance. Dr. LOU is a researcher at the Centre for Economic Policy Research in the United Kingdom from 2013 to the present and an associate editor at Management Science and Journal of Empirical Finance from 2014 to the present.

Ms. LU Hong, aged 53, is an independent non-executive Director since May 2016. She is also a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company. Ms. LU has over 22 years of experience in accounting, financial management, company secretarial and domestic and overseas capital markets field. She is a member of the Chinese Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. LU has extensive knowledge and experience in accounting and is very familiar with listing rules and regulations both in Hong Kong and PRC. She has rich experience in the listing of corporations in the PRC, Hong Kong, Singapore and the United States of America, and foreign and domestic investment and financing operations as well as mergers and acquisitions. Ms. LU also specializes in financial analysis, budgeting, financial management and tax planning. Ms. LU has been an independent non-executive director of Sino Biopharmaceutical Limited (stock code: 1177), a company listed on the main board of The Stock Exchange of Hong Kong Limited.

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Xingye Alloy Materials Group Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 110 to 198, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Revenue recognition

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

The Key Audit Matter

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

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

How the matter was addressed in our audit

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

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

KEY AUDIT MATTERS (Continued)

Revenue recognition (Continued)

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

The Key Audit Matter	How the matter was addressed in our audit
We identified revenue recognition from the sale of copper products as a key audit matter because revenue is a key performance indicator of the Group which could create an incentive for manipulation of revenue to meet targets or expectations.	• recalculating, on a sample basis, sales rebates recognised during the year with reference to the terms contained in customers' sales contracts and the actual sales volumes for customers qualifying for sales rebates, comparing our calculations with those of the Group and assessing whether the sales rebates had been completely and accurately recognised in the appropriate financial period; • inspecting samples of credit invoices and returned goods delivery notes issued in December 2022 and January 2023 to evaluate whether associated adjustments to revenue had been accurately recorded in the appropriate accounting period; and • inspecting manual adjustments to revenue made during the reporting period applying risk-based sampling techniques, enquiring of management as to the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Revenue	4(a)	**6,238,504**	6,949,881
Cost of sales		**(5,650,557)**	(6,159,413)
Gross profit		**587,947**	790,468
Other income	5	**40,851**	15,409
Distribution expenses		**(61,052)**	(61,463)
Administrative expenses		**(334,107)**	(313,978)
Other expenses	6	**(1,337)**	(62,026)
Profit from operations		**232,302**	368,410
Finance income		**46,720**	20,483
Finance costs		**(29,605)**	(35,031)
Net finance income/(costs)	7(a)	**17,115**	(14,548)
Profit before taxation		**249,417**	353,862
Income tax	8	**(32,591)**	(76,519)
Profit for the year		**216,826**	277,343
Attributable to:			
Equity shareholders of the Company		**216,607**	276,977
Non-controlling interests		**219**	366
Profit for the year		**216,826**	277,343
Earnings per share	12		
Basic (RMB)		**0.24**	0.32
Diluted (RMB)		**0.24**	0.32

The notes on pages 118 to 198 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(d).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Profit for the year		**216,826**	277,343
Other comprehensive income for the year (after tax and reclassification adjustments)	*11*		
Item that is or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas operations		**4,845**	(881)
Other comprehensive income for the year		**4,845**	(881)
Total comprehensive income for the year		**221,671**	276,462
Attributable to:			
Equity shareholders of the Company		**221,452**	276,096
Non-controlling interests		**219**	366
Total comprehensive income for the year		**221,671**	276,462

The notes on pages 118 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	13	**922,420**	866,912
Right-of-use assets	14	**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	8(d)	**23,859**	17,164
		1,045,676	967,917
Current assets			
Inventories	17	**1,229,301**	1,217,711
Trade and other receivables	18	**546,898**	461,169
Derivative financial instruments	19	**935**	–
Restricted bank deposits	20	**720,133**	566,228
Bank deposits with original maturity over three months		**311,683**	124,072
Cash and cash equivalents	21	**316,859**	235,844
		3,125,809	2,605,024
Current liabilities			
Derivative financial instruments	19	**10,599**	3,889
Interest-bearing borrowings	22	**745,050**	822,927
Trade and other payables	23	**1,456,706**	1,062,213
Lease liabilities	24	**1,999**	2,010
Income tax payable		**8,079**	27,569
		2,222,433	1,918,608
Net current assets		**903,376**	686,416
Total assets less current liabilities		**1,949,052**	1,654,333

The notes on pages 118 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Interest-bearing borrowings	22	**117,739**	39,860
Lease liabilities	24	**995**	2,911
Deferred income	25	**38,788**	38,191
Deferred tax liabilities	8(d)	**6,000**	4,500
		163,522	85,462
NET ASSETS		**1,785,530**	1,568,871
CAPITAL AND RESERVES			
Share capital	26(b)	**80,774**	80,774
Reserves		**1,702,011**	1,485,571
Total equity attributable to equity shareholders of the Company		**1,782,785**	1,566,345
Non-controlling interests		**2,745**	2,526
TOTAL EQUITY		**1,785,530**	1,568,871

Approved and authorised for issue by the board of directors on 31 March 2023.

Hu Minglie

Directors

Zhu Wenjun

The notes on pages 118 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Expressed in RMB)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	Treasury shares held for Share Award Scheme RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021		73,676	294,461	258,060	83,779	(17,630)	(934)	1,680	535,805	1,228,897	2,160	1,231,057
Profit for the year		–	–	–	–	–	–	–	276,977	276,977	366	277,343
Other comprehensive income		–	–	–	–	(881)	–	–	–	(881)	–	(881)
Total comprehensive income		–	–	–	–	(881)	–	–	276,977	276,096	366	276,462
Issuance of new shares		7,098	59,672	–	–	–	–	–	–	66,770	–	66,770
Share Award Scheme:												
– Treasury shares held for the Share Award Scheme	*28(c)*	–	–	–	–	–	(10,726)	–	–	(10,726)	–	(10,726)
– Shares granted from the share award scheme	*28(c)*	–	–	–	–	–	–	5,308	–	5,308	–	5,308
– Shares vested from the share award scheme	*28(c)*	–	–	–	–	–	6,727	(6,791)	64	–	–	–
Liquidation of interest in subsidiaries	*28(a)*	–	–	–	(250)	–	–	–	250	–	–	–
At 31 December 2021		80,774	354,133	258,060	83,529	(18,511)	(4,933)	197	813,096	1,566,345	2,526	1,568,871

The notes on pages 118 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Expressed in RMB)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	Treasury shares held for Share Award Scheme RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022		80,774	354,133	258,060	83,529	(18,511)	(4,933)	197	813,096	1,566,345	2,526	1,568,871
Profit for the year		–	–	–	–	–	–	–	216,607	216,607	219	216,826
Other comprehensive income		–	–	–	–	4,845	–	–	–	4,845	–	4,845
Total comprehensive income		–	–	–	–	4,845	–	–	216,607	221,452	219	221,671
Share Award Scheme:												
– Treasury shares held for the Share Award Scheme	28(c)	–	–	–	–	–	(9,928)	–	–	(9,928)	–	(9,928)
– Shares granted from the share award scheme	28(c)	–	–	–	–	–	–	4,916	–	4,916	–	4,916
– Shares vested from the share award scheme	28(c)	–	–	–	–	–	5,264	(5,113)	(151)	–	–	–
At 31 December 2022		80,774	354,133	258,060	83,529	(13,666)	(9,597)	–	1,029,552	1,782,785	2,745	1,785,530

The notes on pages 118 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(Expressed in RMB)

	2022 RMB'000	2021 RMB'000
Cash flows from operating activities		
Profit for the year	**216,826**	277,343
Adjustment for:		
Depreciation of property, plant and equipment	**100,186**	102,831
Depreciation for right-of-use assets	**3,428**	3,302
Impairment losses on trade and other receivables	**1,220**	1,766
Losses on disposals of property, plant and equipment	**19**	86
Net finance (income)/costs	**(17,115)**	14,548
Equity-settled share-based payment transactions	**4,916**	5,308
Unrealised fair value change on derivative financial instruments	**5,775**	(17,783)
Income tax expense	**32,591**	76,519
Amortisation of deferred income	**(6,190)**	(6,190)
	341,656	457,730
Changes in working capital:		
Inventories	**(11,590)**	(274,043)
Trade and other receivables	**(119,372)**	(73,653)
Trade and other payables	**208,691**	76,100
Cash generated from operations	**419,385**	186,134
Interest paid	**(30,499)**	(34,942)
Income tax paid	**(57,276)**	(52,122)
Net cash generated from operating activities	**331,610**	99,070

The notes on pages 118 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Cash flows from investing activities			
Interest received		17,258	4,489
Proceeds from disposals of property, plant and equipment		15	166
Payment for purchase of structured bank deposits		–	(3,000)
Proceeds from maturity of structured bank deposits		–	8,208
Changes in guarantee deposits and bank deposits with maturity over three months		(176,451)	11,652
Acquisition of property, plant and equipment, net of deposits placed in previous years		(134,081)	(156,574)
Acquisition of right-of-use assets		–	(852)
Deposits for acquisition of property, plant and equipment		(22,618)	(5,828)
Net cash used in investing activities		(315,877)	(141,739)
Cash flows from financing activities			
Repayments of interest-bearing borrowings	21(a)	(1,127,702)	(1,554,518)
Proceeds from interest-bearing borrowings	21(a)	1,182,062	1,554,362
Capital element of lease rentals paid	21(a)	(1,927)	(1,024)
Payment for purchase of shares in connection with Share Award Scheme	28(c)	(9,928)	(10,726)
Proceeds from issuance of shares, net of issuance expenses		–	66,770
Net cash generated from financing activities		42,505	54,864
Net increase in cash and cash equivalents		58,238	12,195
Cash and cash equivalents at 1 January		235,844	223,300
Effect of movements in exchange rates on cash held		22,777	349
Cash and cash equivalents at 31 December		316,859	235,844

The notes on pages 118 to 198 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Financial statements For the year ended 31 December 2022

(Prepared under International Financial Reporting Standards)

1 REPORTING ENTITY AND BACKGROUND INFORMATION

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

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The principal activities of the Group are the manufacture and sales of high precision copper plates and strips, trading of raw materials, and provision of processing services. After the acquisition of an online gaming business in August 2016, the Group's activities also include developing, publishing and operating online games and provision of related services.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

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

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

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

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

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

(c) Changes in accounting policies

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

- Amendments to 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Functional and presentation currency

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

(e) Subsidiaries and non-controlling interests

(i) Business combination

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

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

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

(ii) Subsidiaries and non-controlling interests

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

(f) Goodwill

Goodwill represents the excess of:

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

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

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

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

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

(ii) Equity investments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Derivative financial instruments

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

(i) Property, plant and equipment

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

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

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

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

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

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

(j) Intangible assets (other than goodwill)

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

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

As a lessee

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

As a lessee (Continued)

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

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

Measurement of ECLs

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

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

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

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

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

Write-off policy

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Impairment of other non-current assets

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

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

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(m) Inventories and other contract costs

(i) Inventories

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Inventories and other contract costs (Continued)

(i) Inventories (Continued)

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

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

(ii) Other contract costs

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

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

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

(n) Contract liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Trade and other receivables

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

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

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

(p) Cash and cash equivalents

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

(q) Trade and other payables

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

(r) Interest-bearing borrowings

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

(s) Employee benefits

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(ii) Share-based payments

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

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

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

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

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

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

(iii) Termination benefits

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

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

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

(u) Provisions and contingent liabilities

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

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

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

(v) Revenue and other income

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(i) Sales of copper products

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

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

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

(ii) Publishing and operating online games

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

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

(iii) Services income

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

(iv) Interest income

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and other income (Continued)

(v) Government grants

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

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

(w) Translation of foreign currencies

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

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

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

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

(x) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Dividends

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

(z) Related parties

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Segment reporting

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

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

- Notes 28(b)&(c) – Consolidation: whether the Group has control over entities through contractual arrangements and trusts.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Loss allowance for trade receivables

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(ii) Depreciation

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

(iii) Net realisable value of inventories

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

(iv) Impairment of non-current assets

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

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

(v) Income tax

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

(i) Disaggregation of revenue

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

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS15		
Disaggregated by major products or service lines		
Copper products related:		
– Sales of high precision copper plates and strips	**5,887,041**	6,446,971
– Processing service fees	**261,875**	276,560
– Trading of raw materials	**75,995**	216,011
	6,224,911	6,939,542
Online games related:		
– Technical service income	**6,112**	–
– Publishing and operating online games	**4,917**	9,412
– Others	**2,564**	927
	13,593	10,339
	6,238,504	6,949,881
Disaggregated by timing of revenue recognition		
– Point in time	**6,224,911**	6,939,542
– Over time	**13,593**	10,339
	6,238,504	6,949,881

4 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

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

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

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Geographic information

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

	2022	2021
	RMB'000	*RMB'000*
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
	6,238,504	6,949,881

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

5 OTHER INCOME

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

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) (note 25).

6 OTHER EXPENSES

	2022	2021
	RMB'000	*RMB'000*
Credit loss allowance on trade and other receivables *(note 29(a))*	**1,220**	1,766
Losses on disposals of property, plant and equipment	**19**	86
Net losses on derivative financial instruments	**–**	59,708
Others	**98**	466
	1,337	62,026

7 PROFIT BEFORE TAXATION

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

(a) Net finance income/(costs)

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

7 PROFIT BEFORE TAXATION (Continued)

(b) Personnel costs

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

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. There is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

7 PROFIT BEFORE TAXATION (Continued)

(c) Other items

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories*	**5,647,335**	6,157,001
Depreciation		
– Property, plant and equipment *(note 13)*	**100,186**	102,831
– Right-of-use assets *(note 14)*	**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	**2,460**	2,380

* 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

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

	2022 RMB'000	2021 RMB'000
Current tax		
Provision for the year	**47,703**	62,936
(Over)/under provision in respect of prior year	**(9,917)**	1,457
	37,786	64,393
Deferred tax		
Origination and reversal of temporary differences	**(6,695)**	9,126
PRC withholding tax	**1,500**	3,000
	32,591	76,519

(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 ("**Xingye Copper (HK)**"), the parent company of the Group's PRC subsidiaries, became entitled to the preferential withholding tax rate of 5%, having been certified as a tax resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". As a result, deferred tax liabilities of 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.

8 INCOME TAXES (Continued)

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	**249,417**	353,862
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	**62,625**	90,562
Tax effect of unused tax losses and other temporary differences not recognised as deferred tax assets	**1,135**	3,057
Tax effect of utilisation of tax losses not recognised as deferred tax assets in prior years	**(1,924)**	(1,298)
Withholding tax on profits retained by PRC subsidiaries	**1,500**	3,000
Effect of tax concessions	**(956)**	(473)
(Over)/under provision in prior year	**(9,917)**	1,457
Additional deduction for qualified research and development expenses (Note)	**(20,966)**	(20,710)
Tax effect of non-deductible expenses	**1,094**	924
Actual tax expense	**32,591**	76,519

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

8 INCOME TAXES (Continued)

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

	Accelerated depreciation and impairment of property, plant and equipment	Credit loss allowance	Inventory provision	Changes in fair value of derivative financial instruments	Deferred income	Withholding tax on dividends	Accrued expenses	Unrealised profits arising from intra-group transactions and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	8,754	2,890	1,729	5,418	4,466	(1,500)	–	3,033	24,790
Credited/(charged) to profit or loss	(3,952)	(192)	(1,369)	(4,446)	774	(3,000)	–	59	(12,126)
At 31 December 2021 and 1 January 2022	**4,802**	**2,698**	**360**	**972**	**5,240**	**(4,500)**	**–**	**3,092**	**12,664**
Credited/(charged) to profit or loss	**(2,637)**	**280**	**3,462**	**1,381**	**978**	**(1,500)**	**4,806**	**(1,575)**	**5,195**
At 31 December 2022	**2,165**	**2,978**	**3,822**	**2,353**	**6,218**	**(6,000)**	**4,806**	**1,517**	**17,859**

8 INCOME TAXES (Continued)

(d) Reconciliation to consolidated statement of financial position

	2022 *RMB'000*	2021 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**23,859**	17,164
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(6,000)**	(4,500)
	17,859	12,664

(e) Unrecognised deferred tax assets and liabilities

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

	2022 *RMB'000*	2021 *RMB'000*
Tax losses of subsidiaries (i)	**35,305**	27,488
Retained earnings of PRC subsidiaries not expected to be distributed outside of the PRC in the foreseeable future (ii)	**(454,393)**	(419,719)

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

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

9 DIRECTORS' REMUNERATION

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

	Year ended 31 December 2022					
Name of directors	Director' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	Discretionary bonuses *RMB'000*	Equity-settled share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Hu Changyuan	–	1,001	–	–	1,353	2,354
Mr. Hu Minglie	–	1,519	7	–	1,353	2,879
Mr. Zhu Wenjun	–	1,354	46	–	451	1,851
Independent non-executive directors						
Mr. Chai Chaoming	140	–	–	–	45	185
Mr. Lou Dong	140	–	–	–	45	185
Ms. Lu Hong	140	–	–	–	45	185
	420	3,874	53	–	3,292	7,639

9 DIRECTORS' REMUNERATION (Continued)

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

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

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2021: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two (2021: two) individuals are as follows:

	2022	2021
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,975**	1,988
Equity-settled share-based payments	**451**	487
Retirement scheme contributions	**7**	6
	2,433	2,481

The emoluments of the two (2021: two) individuals with the highest emoluments are within the following bands:

RMB'000	**2022 Number of individuals**	2021 Number of individuals
Nil – 1,000	**1**	–
1,000-2,000	**1**	2

There were no amounts paid during the year to the five individuals with the highest emoluments as inducement to join or as compensation for loss of office.

11 OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income

	2022			2021		
	Before-tax amount	**Tax (expense)/ benefit amount**	**Net-of-tax amount**	Before-tax amount	Tax (expense)/ benefit amount	Net-of-tax amount
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Exchange differences on translation of financial statements of overseas subsidiaries	**4,845**	**–**	**4,845**	(881)	–	(881)
Other comprehensive income	**4,845**	**–**	**4,845**	(881)	–	(881)

12 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of 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 28(c))*	**(2,728,501)**	297,414
Weighted average number of ordinary shares in issue at 31 December	**891,143,672**	852,683,874

(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.

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 and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares amounting to 852,692,552 ordinary shares.

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 28(c))*	**–**	8,678
Weighted average number of ordinary shares at 31 December (diluted)	**891,143,672**	852,692,552

13 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery RMB'000	Electronic and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2021	219,938	1,460,913	25,068	9,525	68,337	1,783,781
Additions	1,145	670	1,304	3,535	145,716	152,370
Transfers from construction in progress	4,368	38,917	–	–	(43,285)	–
Disposals	–	(25)	(376)	(610)	–	(1,011)
At 31 December 2021	225,451	1,500,475	25,996	12,450	170,768	1,935,140
Additions	–	1,701	2,276	159	151,592	155,728
Transfers from construction in progress	1,372	38,211	153	–	(39,736)	–
Disposals	–	–	(121)	–	–	(121)
At 31 December 2022	226,823	1,540,387	28,304	12,609	282,624	2,090,747
Accumulated depreciation and impairment losses						
At 1 January 2021	(79,940)	(861,315)	(18,262)	(6,639)	–	(966,156)
Charge for the year	(6,680)	(93,518)	(1,544)	(1,089)	–	(102,831)
Disposals	–	22	352	385	–	759
At 31 December 2021	(86,620)	(954,811)	(19,454)	(7,343)	–	(1,068,228)
Charge for the year	(6,877)	(90,507)	(1,592)	(1,210)	–	(100,186)
Disposals	–	–	87	–	–	87
At 31 December 2022	(93,497)	(1,045,318)	(20,959)	(8,553)	–	(1,168,327)
Net book value						
At 31 December 2022	133,326	495,069	7,345	4,056	282,624	922,420
At 31 December 2021	138,831	545,664	6,542	5,107	170,768	866,912

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

(ii) Certain property, plant and equipment with aggregate carrying amount of RMB166,601,000 (2021: RMB191,755,000) were pledged as security for bank loans at 31 December 2022 (see note 22(iii)).

(iii) As at 31 December 2022, the Group was in the process of applying for the title certificates for certain of its properties with an aggregate carrying value of RMB13,407,000 (2021: RMB14,350,000). The Directors of the Company are of the opinion that the Group is entitled to lawfully occupy and use the above mentioned properties.

Impairment losses

No impairment loss was recognised for the year ended 31 December 2022 and 2021.

14 RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Leased properties *RMB'000*	Leased vehicles *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2021	72,172	3,637	925	76,734
Additions	–	2,627	–	2,627
At 31 December 2021	72,172	6,264	925	79,361
Additions	–	–	–	–
At 31 December 2022	72,172	6,264	925	79,361
Accumulated depreciation				
At 1 January 2021	(5,386)	(180)	(58)	(5,624)
Charge for the year	(1,450)	(1,621)	(231)	(3,302)
At 31 December 2021	(6,836)	(1,801)	(289)	(8,926)
Charge for the year	(1,450)	(1,747)	(231)	(3,428)
At 31 December 2022	(8,286)	(3,548)	(520)	(12,354)
Net book value				
At 31 December 2022	63,886	2,716	405	67,007
At 31 December 2021	65,336	4,463	636	70,435

14 RIGHT-OF-USE ASSETS (Continued)

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

	2022	2021
	RMB'000	*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
	67,007	70,435

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

	2022	2021
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold lands	**1,450**	1,450
Leased properties	**1,747**	1,621
Leased vehicles	**231**	231
	3,428	3,302
Interest on lease liabilities *(note 7(a))*	**175**	240
Expenses relating to short-term leases	**725**	664
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**41**	48

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

Details of total cash outflows for leases and the maturity analysis of lease liabilities are set out in notes 21(b) and 24, respectively.

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 22 (iii)).

15 INTANGIBLE ASSETS

	Exclusive rights for operation of online games *RMB'000*	Non-compete agreement *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2021, 31 December 2021 and 31 December 2022	6,800	2,700	9,500
Accumulated amortisation and impairment loss			
At 31 December 2021 and 31 December 2022	(6,800)	(2,700)	(9,500)
Net book value			
At 31 December 2021 and 31 December 2022	–	–	–

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

No impairment loss was recognised for the year ended 31 December 2022 and 2021.

16 GOODWILL

	RMB'000
Cost	
At 1 January 2021, 31 December 2021 and 31 December 2022	138,153
Accumulated impairment loss	
At 1 January 2021, 31 December 2021 and 31 December 2022	(138,153)
Net book value	
At 31 December 2021 and 31 December 2022	–

17 INVENTORIES

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

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 22 (iii)).

18 TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
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
	546,898	461,169

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.

18 TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis

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

	2022	2021
	RMB'000	*RMB'000*
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
	407,977	402,205

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

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in the note 29(a).

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.

19 DERIVATIVE FINANCIAL INSTRUMENTS

		2022	2021
	Note	***RMB'000***	*RMB'000*
Derivative financial assets			
Foreign exchange forward contracts and option contracts	*(ii)*	**935**	–
		935	–
Derivative financial liabilities			
Metal future contracts	*(i)*	**(10,430)**	(3,889)
Foreign exchange forward contracts and option contracts	*(ii)*	**(169)**	–
		(10,599)	(3,889)

19 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(i) Metal future contracts

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

	2022	2021
Sales contracts		
Volume *(tonnes)*	**8,255**	5,380
Notional contract value *(RMB'000)*	**510,986**	342,363
Market value *(RMB'000)*	**(521,416)**	(346,203)
Fair value *(RMB'000)*	**(10,430)**	(3,840)
Purchase contracts		
Volume *(tonnes)*	**–**	50
Notional contract value *(RMB'000)*	**–**	(3,149)
Market value *(RMB'000)*	**–**	3,100
Fair value *(RMB'000)*	**–**	(49)
Total *(RMB'000)*	**(10,430)**	(3,889)
Contract maturity date	January, February and March 2023	January, February, and March 2022

The market value of metal future contracts is based on quoted market prices at the reporting date. As at 31 December 2022, fair value of the outstanding commodity future contracts was RMB10,430,000 (2021: RMB3,889,000), and net realised and unrealised gains, in aggregate of RMB12,737,000 were recognised in other income (2021: RMB59,708,000 of net realised and unrealised losses) for the year ended 31 December 2022.

19 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(ii) Foreign exchange forward contracts and option contracts

The Group purchased foreign exchange forward contracts and option contracts to hedge its foreign currency exchange rate fluctuation. The market value of these contracts are based on quoted market prices at the reporting date. As at 31 December 2022, fair value of the outstanding foreign exchange forward contracts and option contracts was RMB766,000 (2021: nil), and net realised and unrealised gain, in aggregate of RMB1,416,000 was recognised in finance income (2021: nil) for the year ended 31 December 2022.

20 RESTRICTED BANK DEPOSITS

Restricted bank deposits represent:

	2022	2021
	RMB'000	*RMB'000*
Guarantee deposits for issuance of commercial bills	**718,403**	531,501
Guarantee deposits for bank borrowings	**–**	29,979
Others	**1,730**	4,748
	720,133	566,228

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

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

(a) Reconciliation of liabilities arising from financing activities

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

	Interest-bearing borrowings *RMB'000* *(Note 22)*	Lease liabilities *RMB'000* *(Note 24)*	Total *RMB'000*
At 1 January 2022	862,787	4,921	867,708
Changes from financing cash flows:			
Proceeds from interest-bearing borrowings	1,182,062	–	1,182,062
Repayments of interest-bearing borrowings	(1,127,702)	–	(1,127,702)
Capital element of lease rentals paid	–	(1,927)	(1,927)
Total changes from financing cash flows	54,360	(1,927)	52,433
Exchange adjustments	(16,197)	–	(16,197)
Other non-cash changes:			
Derecognition of discounted bills	(37,268)	–	(37,268)
Net decrease in accrued interest expenses	(893)	–	(893)
Total other non-cash changes	(38,161)	–	(38,161)
At 31 December 2022	862,789	2,994	865,783

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

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

	Interest-bearing borrowings *RMB'000* *(Note 22)*	Lease liabilities *RMB'000* *(Note 24)*	Total *RMB'000*
At 1 January 2021	917,175	4,170	921,345
Changes from financing cash flows:			
Proceeds from interest-bearing borrowings	1,554,362	–	1,554,362
Repayments of interest-bearing borrowings	(1,554,518)	–	(1,554,518)
Capital element of lease rentals paid	–	(1,024)	(1,024)
Total changes from financing cash flows	(156)	(1,024)	(1,180)
Exchange adjustments	(3,300)	–	(3,300)
Other non-cash changes:			
Derecognition of discounted bills	(51,021)	–	(51,021)
Increase in lease liabilities from entering into new leases during the year	–	1,775	1,775
Net increase in accrued interest expenses	89	–	89
Total other non-cash changes	(50,932)	1,775	(49,157)
At 31 December 2021	862,787	4,921	867,708

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(b) Total cash outflow for leases

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

	2022	2021
	RMB'000	*RMB'000*
Within operating cash flows	**941**	952
Within investing cash flows	**–**	852
Within financing cash flows	**1,927**	1,024
	2,868	2,828

These amounts relate to the following:

	2022	2021
	RMB'000	*RMB'000*
Lease rentals paid	**2,868**	2,828

22 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 *RMB'000*	2021 *RMB'000*
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	–	88,310
	745,050	822,927
Non-current		
Secured bank loans	117,739	39,860
	862,789	862,787

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

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

22 INTEREST-BEARING BORROWINGS (Continued)

(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:

	2022	2021
	RMB'000	*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	**–**	29,979
	503,083	617,070

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

23 TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*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	**34,657**	18,549
Financial liabilities measured at amortised cost	**1,426,707**	1,023,854
Contract liabilities (i)	**29,999**	38,359
	1,456,706	1,062,213

23 TRADE AND OTHER PAYABLES (Continued)

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

Revenue of RMB38,359,000 was recognised for the year ended 31 December 2022 that was included in the contract liability balance at the beginning of the reporting period.

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

	2022	2021
	RMB'000	*RMB'000*
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
	1,279,053	927,444

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

24 LEASE LIABILITIES

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

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

25 DEFERRED INCOME

	2022	2021
	RMB'000	*RMB'000*
Government grants	**38,788**	38,191

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

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Contributed surplus RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021		73,676	294,461	(19,215)	407,248	1,680	54,571	812,421
Changes in equity for 2021:								
Loss for the year		–	–	–	–	–	(9,042)	(9,042)
Other comprehensive income		–	–	(12,446)	–	–	–	(12,446)
Total comprehensive income		–	–	(12,446)	–	–	(9,042)	(21,488)
Issuance of new shares		7,098	59,672	–	–	–	–	66,770
Share Award Scheme:								
– Granted shares under the share award scheme		–	–	–	–	5,308	–	5,308
– Vested shares transferred to grantees	28(c)	–	–	–	–	(6,791)	64	(6,727)
At 31 December 2021		80,774	354,133	(31,661)	407,248	197	45,593	856,284

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

The Company (Continued)

	Note	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Contributed surplus RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2022		80,774	354,133	(31,661)	407,248	197	45,593	856,284
Changes in equity for 2022:								
Loss for the year		–	–	–	–	–	(8,279)	(8,279)
Other comprehensive income		–	–	39,917	–	–	–	39,917
Total comprehensive income		–	–	39,917	–	–	(8,279)	31,638
Share Award Scheme:								
– Granted shares under the share award scheme		–	–	–	–	4,916	–	4,916
– Vested shares transferred to grantees	28(c)	–	–	–	–	(5,113)	(151)	(5,264)
At 31 December 2022		80,774	354,133	8,256	407,248	–	37,163	887,574

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

Authorised

	2022		2021	
	Number of shares	**Amount**	Number of shares	Amount
		HKD'000		*HKD'000*
Ordinary shares of HKD0.1 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000

Ordinary shares issued and fully paid

	2022			2021		
	Number of shares	**Amount**	**Equivalent**	Number of shares	Amount	Equivalent
	'000	***HKD'000***	***RMB'000***	*'000*	*HKD'000*	*RMB'000*
At 1 January	**899,559**	**89,959**	**80,774**	814,559	81,459	73,676
Share issued	**–**	**–**	**–**	85,000	8,500	7,098
At 31 December	**899,559**	**89,959**	**80,774**	899,559	89,959	80,774

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

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves

(i) Share premium

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

(ii) Contributed surplus

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

(iii) Capital reserve

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

In December 2019, the Group further acquired an additional 2% equity interest of Ningbo Xingye Shengtai Group Ltd., at a consideration of RMB21,300,000, resulting in a decrease in capital reserve of RMB1,666,000.

(iv) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the Articles of Association of the companies comprising the Group which are established in the PRC. Appropriations to the reserves were approved by the respective boards of directors.

For the entities concerned, statutory surplus reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of PRC statutory reserves after such conversion is not less than 25% of the registered capital.

(v) Share-based compensation reserve

Share-based compensation reserve represents the value of employee services in respect of awarded shares under the Share Award Scheme as set out in note 28(c).

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Reserves (Continued)

(vi) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings and lease liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity attributable to equity shareholders of the Company, as shown in the consolidated statement of financial position, plus net debt. The Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

The Group's gearing ratio at 31 December 2022 and 2021 was as follows:

	31 December 2022	31 December 2021
Gearing ratio	**33.03%**	33.91%

(d) Dividends

No final dividend was declared to equity shareholders of the Company for the year ended 31 December 2022 (2021: Nil).

27 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 *RMB'000*	2021 *RMB'000*
Non-current assets		
Investments in subsidiaries	**427,243**	418,574
Interests in subsidiaries *(note 28)*	**427,243**	418,574
Current assets		
Amounts due from subsidiaries	**456,027**	434,150
Other receivables	**69**	37
Cash and cash equivalents	**4,248**	3,935
	460,344	438,122
Current liabilities		
Other payables	**13**	412
	13	412
Net current assets	**460,331**	437,710
Net assets	**887,574**	856,284
Capital and reserves		
Share capital *(note 26(b))*	**80,774**	80,774
Reserves	**806,800**	775,510
Total equity	**887,574**	856,284

28 INVESTMENTS IN SUBSIDIARIES

(a) Subsidiaries

All of the following entities are subsidiaries as defined in note 2(e) and have been consolidated into the Group's financial statements. The class of shares held is ordinary shares unless otherwise stated.

Name of company	Place and date of establishment/ incorporation and business	Percentage of equity attributable to the Company		Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
		Direct	Indirect			
Xingye Copper International (BVI) Limited ("**Xingye Copper (BVI)**")	British Virgin Islands, July 2007	100%	–	USD1/ USD1	Investment holding	Limited liability company
Xingye Copper International (HK) Limited ("**Xingye Copper (HK)**")	Hong Kong SAR, July 2007	–	100%	HKD4,000,000/ HKD4,000,000	Investment holding and trading of high precision copper plates and strips	Limited liability company
Ningbo Xingye Shengtai Group Ltd. (formerly known as Ningbo Xingye Shengtai Electronic Metal Materials Co., Ltd.) ("**Shengtai Group**") 寧波興業盛泰集團有限公司	The PRC, November 2001	–	99.8%	RMB700,000,000/ RMB700,000,000	Manufacture and sale of high precision copper plates and strips	Limited liability company
Ningbo Hangzhou Bay New Zone Qiangtai Metal Materials Co., Ltd. ("**Qiangtai**") 寧波杭州灣新區強泰金屬材料有限公司	The PRC, May 2010	–	100%	RMB8,285,250/ RMB8,285,250	Trading of high precision copper plates and strips	Limited liability company
Ningbo Xingye Xintai New Electronic Materials Co., Ltd. ("**Ningbo Xintai**")) 寧波興業鑫泰新型電子材料有限公司	The PRC, March 2011	–	100%	RMB200,000,000/ RMB200,000,000	Manufacture and sale of high precision copper plates and strips	Limited liability company
Ningbo Xinghong Property Service Co., Ltd. ("**Xinghong**") 寧波興宏物業服務有限公司	The PRC, November 2015	–	100%	RMB1,000,000/ RMB1,000,000	Property services	Limited liability company
Xingye Investment Holdings (HK) Limited ("**Investment (HK)**")	Hong Kong SAR, August 2015	–	100%	HKD1/ HKD1	Investment holding	Limited liability company
Xingye Investment Holdings Limited ("**Investment**")	British Virgin Islands, June 2015	–	100%	USD1/ USD1	Investment holding	Limited liability company

28 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation and business	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
Funnytime Limited ("**Funnytime**")	British Virgin Islands, October 2015	–	100%	USD0/ USD1,000	Investment holding	Limited liability company
Soul Dargon Limited	Hong Kong SAR, October 2015	–	100%	HKD0/ HKD1	Developing, publishing and operating online games	Limited liability company
Hefei Yueyou Network Technology Co., Ltd. ("**Yueyou**") 合肥悅游網絡科技有限公司	The PRC, January 2016	–	100%	RMB1,000,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Hefei Zhangyue Network Technology Co., Ltd.(" **Hefei Zhangyue**") *(note (b))* 合肥掌悅網絡科技有限公司	The PRC, July 2015	–	100%	RMB1,000,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Shenzhen Zhangyue Network Technology Co., Ltd. *(note (b))* 深圳掌悅網絡科技有限公司	The PRC, August 2015	–	100%	RMB1,000,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Ningbo Xingqi Trade Co., Ltd. 寧波興齊貿易有限公司	The PRC, September 2017	–	100%	RMB20,000,000/ RMB20,000,000	Purchasing of raw materials and trading of high precision copper plates and strips	Limited liability company
Ningbo Xinyue Alloy Material Co., Ltd. 寧波鑫悅合金材料有限公司	The PRC, March 2018	–	100%	RMB100,000,000/ RMB100,000,000	Manufacture and sale of high precision copper plates and strips	Limited liability company
Ningbo Longao Network Technology Co., Ltd. ("**Longao**") 寧波龍傲網絡科技有限公司	The PRC, June 2020	–	100%	RMB0/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company

28 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation and business	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities	Type of legal entity
Ningbo Longhui Network Technology Co., Ltd. 寧波龍輝網絡科技有限公司	The PRC, July 2020	–	100%	RMB0/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Shenzhen Longhun Network Technology Co., Ltd. 深圳龍魂網絡科技有限公司	The PRC, August 2020	–	100%	RMB1,000,000/ RMB1,000,000	Developing, publishing and operating online games	Limited liability company
Shanghai Xingronghui Industrial Co., Ltd. 上海興榮惠實業有限公司	The PRC, July 2021	–	100%	RMB3,000,000/ RMB10,000,000	Purchasing of raw materials and trading of high precision copper plates and strips	Limited liability company

i) The English translation of the names of the companies registered in the PRC above is for reference only. The official names of these companies are in Chinese. These PRC companies are all limited liability companies.

ii) The Group liquidated its subsidiaries namely Shenzhen Youwei Network Technology Co., Ltd., Shenzhen Doubao Network Technology Co., Ltd. and Shenzhen Yueban Network Technology Co., Ltd. in 2021.

28 INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Entities controlled through contractual arrangements

The Group's online gaming business is carried out through several domestic operating companies, incorporated in the PRC, namely Hefei Zhangyue Network Technology Co., Ltd., Shenzhen Zhangyue Network Technology Co., Ltd., Ningbo Longhui Network Technology Co.,Ltd. and Shenzhen Longhun Network Technology Co., Ltd., which are collectively defined as the "PRC Operating Entities" hereafter.

Pursuant to applicable PRC laws and regulations, foreign investors are restricted from conducting value-added telecommunications services or holding an equity interest in an entity conducting such services in China. In order to enable the Company to acquire the online games business through its overseas incorporated subsidiaries, two wholly foreign owned enterprises, Yueyou and Longao, were incorporated in the PRC in January 2016 and July 2020, respectively by Funnytime.

Yueyou and Longao have entered into a series of contractual arrangements (the "**Contractual Arrangements**") with the PRC Operating Entities and their respective equity holders, which enable Yueyou and Longao to:

– exercise effective financial and operational control over the PRC Operating Entities;

– exercise equity holders' voting rights of the PRC Operating Entities;

– receive substantially all of the economic interest returns generated by the PRC Operating Entities in consideration for the business support, technical and consulting services provided by Yueyou and Longao, at the discretion of Yueyou and Longao;

– obtain an irrevocable and exclusive right with an initial period of 10 years to purchase the entire equity interest in the PRC Operating Entities from the respective equity holders. This right automatically renews upon expiry until Yueyou or Longao specifies a renewal term;

– obtain a pledge over the entire equity interest of the PRC Operating Entities from their respective equity holders as collateral security for all of the PRC Operating Entities' payments due to Yueyou and Longao and to secure performance of PRC Operating Entities' obligations under the Contractual Arrangements.

As a result of the Contractual Arrangements, after the acquisition of Funnytime, the Company has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities and is considered to control the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as consolidated structured entities under International Financial Reporting Standards ("**IFRSs**"). The Group has included the financial position and results of the PRC Operating Entities in the consolidated financial statements since the Acquisition Date.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operating Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Operating Entities. However, the Company believes that the Contractual Arrangements are in compliance with relevant PRC laws and regulations and are legally enforceable.

28 INVESTMENTS IN SUBSIDIARIES (Continued)

(c) A trust for the Share Award Scheme (the "Trust")

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

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

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

As at 31 December 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)).

28 INVESTMENTS IN SUBSIDIARIES (Continued)

(c) A trust for the Share Award Scheme (the "Trust") (Continued)

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

	2022			2021		
	Average purchase price *HKD*	**No. of shares held**	**Value** *RMB'000*	Average purchase price *HKD*	No. of shares held	Value *RMB'000*
At 1 January	**0.97**	**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	**1.02**	**9,937,000**	**9,597**	0.97	5,686,000	4,933

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

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

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

28 INVESTMENTS IN SUBSIDIARIES (Continued)

(c) A trust for the Share Award Scheme (the "Trust") (Continued)

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

According to the Resolution of the Board and the Remuneration Committee of the Company on 26 November 2019, in order to incentivise and encourage the grantees to maintain their employment with the Group, the Postponed Vesting Dates were further postponed for one year to 13 December 2020 and 13 December 2021, respectively. In addition, the vesting of the remaining 300,000 shares granted on 26 May 2017 as mentioned above has been postponed and will be dealt with together with tranche 2 and tranche 3. The modification was not beneficial to the grantees, therefore, there was no impact on the fair value cost of the awarded shares.

According to the Resolution of the Board of Company on 17 December 2021, 10,900,000 ordinary shares held under the Share Award Scheme were granted to 6 directors and 5 employees of the Group at nil consideration, with 5,450,000 shares (tranche 1) and 5,450,000 shares (tranche 2) to be vested on 17 December 2021 and 2022 respectively. The vesting conditions are only subject to the service conditions. The grant date fair value of HKD1.15 per share (equivalent to approximately RMB0.94 per share) was determined by reference to the closing price of the Company's ordinary shares on 17 December 2021.

Accordingly, employee service cost of RMB4,916,000 (2021: RMB5,308,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2022.

(ii) Movements in the number of awarded shares for the years ended 31 December 2022 and 2021 are 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	5,450,000
Vested and transferred during the year	(5,450,000)
At 31 December 2022	–

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.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit risks, liquidity risks, interest rate risks, currency risks and commodity price risks arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risks are primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, bank deposits with maturity over three months, restricted bank deposits, structured bank deposits, derivative financial assets, bills receivables and deposits for metal future contracts is limited because the counterparties are banks and financial institutions with high credit ratings, for which the Group considers to have low credit risk. In respect of other debtors and other non-current assets, the Group has assessed that the expected credit loss rate for these receivables is immaterial and no loss allowance provision for these receivables was recognised during the reporting period. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 9% (2021: 8%) and 31% (2021: 25%) of the total trade receivables were due from the Group's largest customer and five largest customers respectively.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 7 to 90 days from the date of billing. Debtors with balances that are more than the credit term given by the Group are generally requested to settle all outstanding balances before any further credit is granted. In order to mitigate credit risk, the Group purchased credit insurance from an insurance company for the trade receivables of major customers.

The Group does not provide any guarantees which would expose the Group to credit risk.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables based on different business lines:

Copper products related:

	2022 **Expected loss rate** *%*	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*
Current (not past due)	**1.7%**	**359,411**	**6,127**
1 – 90 days past due	**3.3%**	**2,686**	**89**
91 – 180 days past due	**4.5%**	**88**	**4**
More than 180 days past due	**19.7%**	**513**	**101**
		362,698	**6,321**

	2021 Expected loss rate *%*	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Current (not past due)	1.5%	333,380	5,040
1 – 90 days past due	3.0%	2,166	65
91 – 180 days past due	4.2%	–	–
More than 180 days past due	18.4%	462	85
		336,008	5,190

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Online games related:

	2022 Expected loss rate %	2022 Gross carrying amount *RMB'000*	2022 Loss allowance *RMB'000*
Current (not past due)	**0.0%**	**3,492**	**–**
1 – 90 days past due	**5.0%**	**980**	**49**
91 – 180 days past due	**40.0%**	**195**	**78**
More than 180 days past due	**100.0%**	**25**	**25**
		4,692	**152**

	2021 Expected loss rate %	2021 Gross carrying amount *RMB'000*	2021 Loss allowance *RMB'000*
Current (not past due)	0.0%	2,799	–
1 – 90 days past due	5.0%	1,373	69
91 – 180 days past due	40.0%	–	–
More than 180 days past due	100.0%	9,849	9,849
		14,021	9,918

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Balance at 1 January	**15,108**	15,936
Amounts written off during the year	**(9,855)**	(2,594)
Impairment losses recognised during the year	**1,220**	1,766
Balance at 31 December	**6,473**	15,108

The following significant changes in the gross carrying amounts of trade receivables contributed to the decrease in the loss allowance:

– decrease in amounts past due over 180 days resulted in a decrease in loss allowance of RMB9,808,000 (2021: RMB1,590,000).

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with any lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

	2022 Contractual undiscounted cash outflows					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 year but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 December**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Interest-bearing borrowings	**753,002**	**83,197**	**39,950**	**–**	**876,149**	**862,789**
Trade and other payables	**1,423,692**	**–**	**–**	**–**	**1,423,692**	**1,423,692**
Lease liabilities	**2,038**	**917**	**157**	**–**	**3,112**	**2,994**
	2,178,732	**84,114**	**40,107**	**–**	**2,302,953**	**2,289,475**

	2021 Contractual undiscounted cash outflows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	833,016	1,714	44,481	–	879,211	862,787
Trade and other payables	1,020,536	–	–	–	1,020,536	1,020,536
Lease liabilities	2,102	2,038	1,074	–	5,214	4,921
	1,855,654	3,752	45,555	–	1,904,961	1,888,244

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign currency. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. Changes in exchange rates affect the Renminbi value of sales proceeds of products, the settlement of liabilities for purchase and repayment of loans that are denominated in foreign currencies.

Exposure to currency risk

The following table details the Group's exposures at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Exposure to currency risk (Continued)

	2022			2021		
	United Stated Dollars	Euros	Japanese Yen	United Stated Dollars	Euros	Japanese Yen
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	163,424	–	9,654	91,295	–	–
Cash and cash equivalents	47,415	9	10,460	133,615	9	–
Restricted bank deposits	146,257	–	–	49,093	–	–
Interest-bearing borrowings	(22,316)	–	–	(79,072)	–	–
Trade and other payables	(126,631)	(10,553)	–	(171,739)	(9,315)	(306)
Exposure arising from recognised assets and liabilities	208,149	(10,544)	20,114	23,192	(9,306)	(306)

	Average rate		Rate at reporting date	
	2022	2021	2022	2021
USD1	6.7261	6.4515	6.9646	6.3757
EUR 1	7.0721	7.6293	7.4229	7.2197
JPY 1	0.0513	0.0587	0.0524	0.0554

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Exposure to currency risk (Continued)

Sensitivity analysis

A 5 percent strengthening of the Renminbi against the following currencies at 31 December 2022 would have changed profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2021.

	2022	2021
	RMB'000	*RMB'000*
Effect on profit after tax and equity (increase/(decrease))		
USD	**(7,806)**	(870)
EUR	**395**	349
JPY	**(754)**	11

A 5 percent weakening of the Renminbi against the above currencies at 31 December 2022 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings and lease liabilities.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows.

	2022 *RMB'000*	2021 *RMB'000*
Fixed rate borrowings		
– Lease liabilities *(note 24)*	**2,994**	4,921
– Interest-bearing borrowings *(note 22)*	**660,064**	545,057
Variable rate borrowings		
– Interest-bearing borrowings *(note 22)*	**202,725**	317,730
	865,783	867,708

Fair value sensitivity analysis for fixed rate borrowings

The Group does not account for any fixed-rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate borrowings

As at 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax for the year and consolidated equity by approximately RMB1,520,000 (2021: RMB2,383,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and consolidated equity that would arise assuming that the change in interest rates had occurred at the reporting date and had been applied to re-measure those floating rate non-derivative instruments held by the Group which expose the Group to cash flow interest rate risk at the reporting date. The impact on the Group's profit after tax and consolidated equity is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis as 2021.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(iii) Commodity price risk

The Group uses future contracts traded on the Shanghai Futures Exchange and London Metal Exchange to hedge against price fluctuations of raw materials, mainly copper. The future contracts are marked to market at the reporting date and the corresponding unrealised holding gains/losses are recorded in profit or loss. For details of the exposure to future contracts, please refer to note 19.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
Derivative financial instruments:				
– Foreign exchange forward contracts and option contracts	**935**	**935**	–	–
Liabilities:				
Derivative financial instruments:				
– Future contracts	**(10,430)**	**(10,430)**	–	–
– Foreign exchange forward contracts and option contracts	**(169)**	**(169)**	–	–

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities:				
Derivative financial instruments:				
– Future contracts	(3,889)	(3,889)	–	–

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of contingent consideration receivables is estimated as being the present value of future cash flows, applying a risk-adjusted discount rate.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurement (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at the end of the reporting period.

30 COMMITMENTS

Capital commitments in respect of the acquisition of property, plant and equipment at the end of the reporting period not provided for in the consolidated financial statements were as follows:

	2022	2021
	RMB'000	*RMB'000*
Contracted for	**450,519**	480,691

31 RELATED PARTY TRANSACTIONS

Key management personal remuneration

Remuneration of key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Short-term employee benefits	**6,269**	5,568
Equity-settled share-based payments	**3,743**	4,043
Retirement scheme contributions	**60**	30
	10,072	9,641

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2022, the Directors consider the immediate and ultimate controlling parties of the Group to be various parties including 3 entities and 1 individuals. The 3 entities do not produce financial statements available for public use.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimate*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	No mandatory effective date yet determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**6,238,504**	6,949,881	4,534,947	4,253,075	4,996,057
Gross profit	**587,947**	790,468	536,895	401,807	418,378
Profit attributable to equity shareholders of the Company	**216,607**	276,977	150,832	59,262	27,529

EARNINGS PER SHARE

	2022	2021	2020	2019	2018
Basic earnings per share [(1)] *(RMB)*	**0.24**	0.32	0.18	0.07	0.03
Diluted earnings per share [(1)] *(RMB)*	**0.24**	0.32	0.18	0.07	0.03

ASSETS, LIABILITIES AND EQUITY

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Non-current assets	**1,045,676**	967,917	924,590	1,003,367	997,383
Current assets	**3,125,809**	2,605,024	2,030,622	1,549,482	1,389,645
Total assets	**4,171,485**	3,572,941	2,955,212	2,552,849	2,387,028
Non-current liabilities	**163,522**	85,462	132,035	121,364	94,692
Current liabilities	**2,222,433**	1,918,608	1,592,120	1,318,640	1,217,972
Total liabilities	**2,385,955**	2,004,070	1,724,155	1,440,004	1,312,664
Net current assets/(liabilities)	**903,376**	686,416	438,502	230,842	171,673
Total assets less current liabilities	**1,949,052**	1,654,333	1,363,092	1,234,209	1,169,056
Total equity attributable to equity shareholders of the Company	**1,782,785**	1,566,345	1,228,897	1,110,928	1,051,913
Non-controlling interests	**2,745**	2,526	2,160	1,917	22,451

FIVE YEARS FINANCIAL SUMMARY

FINANCIAL RATIOS AND OTHER FINANCIAL INFORMATION

	2022	2021 (Restated)	2020 (Restated)	2019 (Restated)	2018 (Restated)
EBITDA *(RMB'000)*	**382,636**	495,026	307,014	216,481	193,123
Profitability ratios:					
Gross profit margin (2) *(%)*	**9.4%**	11.4%	11.8%	9.4%	8.4%
Operating profit margin (3) *(%)*	**3.7%**	5.3%	3.7%	2.5%	1.0%
Net profit margin (4) *(%)*	**3.5%**	4.0%	3.3%	1.4%	0.6%
EBITDA margin (5) *(%)*	**6.1%**	7.1%	6.8%	5.1%	3.9%
Rate of return on equity (6) *(%)*	**12.1%**	17.7%	12.3%	5.3%	2.6%
Liquidity ratios:					
Current ratio (7) *(times)*	**1.2**	1.4	1.3	1.2	1.1
Quick ratio (8) *(times)*	**0.7**	0.7	0.7	0.6	0.6
Inventory turnover (9) *(days)*	**53**	45	48	42	37
Trade receivable turnover (10) *(days)*	**24**	20	28	27	28
Trade payable turnover (11) *(days)*	**71**	45	46	36	34
Capital adequacy ratios:					
Gearing ratio (12) *(%)*	**33.0%**	28.7%	36.2%	38.1%	36.2%
Net gearing ratio (13) *(%)*	**8.9%**	4.2%	34.1%	41.7%	43.5%
Interest coverage ratio (14) *(times)*	**12.2**	13.6	10.5	6.0	5.0

Notes:

(1) The basic earnings per share and diluted earnings per share are equal to the profit attributable to equity shareholders of the Company divided by the weighted average number of ordinary share in issue during the year and weighted average number of ordinary share (diluted), respectively.

(2) Gross profit margin is equal to gross profit divided by turnover times 100%.

(3) Operating profit margin is equal to operating profit divided by turnover times 100%.

(4) Net profit margin is equal to profit attributable to equity shareholders of the Company divided by turnover times 100%.

(5) EBITDA margin is equal to EBITDA divided by turnover times 100%.

(6) Rate of return on equity is equal to profit attributable to equity shareholders of the Company divided by total equity attributable to equity shareholders of the Company times 100%.

(7) Current ratio is equal to current assets divided by current liabilities.

(8) Quick ratio is equal to current assets net of inventories divided by current liabilities.

(9) Inventory turnover is equal to the average of the beginning and ending inventory volume for the year divided by the sales volume times 365 days.

(10) Trade receivable turnover is equal to the average of the beginning and ending trade and bills receivables for the year divided by turnover times 365 days.

(11) Trade payable turnover is equal to the average of the beginning and ending trade and bills payables for the year divided by cost of sales times 365 days.

(12) Gearing ratio is equal to net debt (total interest-bearing borrowings, lease liabilities and bills payable less cash and cash equivalents) divided by total capital (equity attributable to equity shareholders of the Company plus net debt) times 100%.

(13) Net gearing ratio is equal to net debt net of restricted bank deposits divided by total equity attributable to equity shareholders of the Company times 100%.

(14) Interest coverage ratio is equal to EBITDA divided by interest expenses.