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Xingye Alloy Materials Group Limited

興業合金材料集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 505)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Xingye Alloy Materials Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

(Expressed in RMB)

	Note	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	3,593,506	2,809,295
Cost of sales		(3,163,410)	(2,523,454)
Gross profit		430,096	285,841
Other income		26,754	14,027
Distribution expenses		(26,039)	(21,042)
Administrative expenses		(167,448)	(151,541)
Other gains and losses, net	5	(67,451)	(6,335)
Profit from operations		195,912	120,950

		Six months ended 30 June	
	<i>Note</i>	2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Finance income		15,491	23,087
Finance costs		(27,740)	(18,979)
		-----	-----
Net finance (costs)/income	<i>6(a)</i>	(12,249)	4,108
		-----	-----
Profit before taxation		183,663	125,058
Income tax	<i>7</i>	(42,528)	(17,172)
		-----	-----
Profit for the period		141,135	107,886
		=====	=====
Attributable to:			
Equity shareholders of the Company		140,937	107,726
Non-controlling interests		198	160
		-----	-----
Profit for the period		141,135	107,886
		=====	=====
Earnings per share			
– Basic (<i>RMB cents</i>)	<i>8(a)</i>	15.97	12.13
– Diluted (<i>RMB cents</i>)	<i>8(b)</i>	15.97	12.13
		=====	=====

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

(Expressed in RMB)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	141,135	107,886
Other comprehensive income for the period		
(after tax and reclassification adjustments):		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange difference on translation of financial statements of the Company	3,116	14,210
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of financial statements of the Company's subsidiaries outside mainland China	(2,908)	(12,961)
Other comprehensive income for the period	208	1,249
Total comprehensive income for the period	141,343	109,135
Attributable to:		
Equity shareholders of the Company	141,145	108,975
Non-controlling interests	198	160
Total comprehensive income for the period	141,343	109,135

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

(Expressed in RMB)

		At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment		1,185,430	1,131,703
Right-of-use assets		61,913	63,615
Deposits for acquisition of property, plant and equipment		77,556	60,377
Other non-current assets		20,382	20,382
Deferred tax assets		25,087	22,132
		<hr/> 1,370,368	<hr/> 1,298,209
Current assets			
Inventories	9	1,532,074	1,319,351
Trade and other receivables	10	895,856	707,226
Derivative financial instruments		22,405	249
Restricted bank deposits		841,227	740,676
Bank deposits with original maturity over three months		118,522	155,106
Cash and cash equivalents		700,931	418,750
		<hr/> 4,111,015	<hr/> 3,341,358

		At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Current liabilities			
Derivative financial instruments		—	6,415
Interest-bearing borrowings	11	1,528,160	1,048,097
Trade and other payables	12	1,328,139	1,402,676
Lease liabilities		49	887
Income tax payable		39,228	23,078
		<u>2,895,576</u>	<u>2,481,153</u>
Net current assets		<u>1,215,439</u>	<u>860,205</u>
Total assets less current liabilities		<u>2,585,807</u>	<u>2,158,414</u>
Non-current liabilities			
Interest-bearing borrowings	11	432,509	152,582
Lease liabilities		38	156
Deferred income		57,900	35,025
Deferred tax liabilities		6,000	6,000
		<u>496,447</u>	<u>193,763</u>
NET ASSETS		<u>2,089,360</u>	<u>1,964,651</u>
CAPITAL AND RESERVES			
Share capital		80,774	80,774
Reserves		2,004,898	1,880,887
Total equity attributable to equity shareholders of the Company		<u>2,085,672</u>	<u>1,961,661</u>
Non-controlling interests		<u>3,688</u>	<u>2,990</u>
TOTAL EQUITY		<u>2,089,360</u>	<u>1,964,651</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

1 REPORTING ENTITY AND BACKGROUND INFORMATION

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

The interim financial report as at and for the six months ended 30 June 2024 comprises the Company and its subsidiaries. The principal activities of the Group are the manufacture and sale of high precision copper plates and strips, trading of raw materials, and provision of processing services. After the acquisition of an online gaming business in August 2016, the Group's activities also include developing, publishing and operating online games and provision of related services.

2 BASIS OF PREPARATION

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

The Company's condensed consolidated interim financial information ("**Interim Financial Information**") has been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**") and has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

The Interim Financial Information contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current (“**2020 amendments**”)
- Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants (“**2022 amendments**”)
- Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback
- Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial instruments: Disclosures – Supplier finance arrangements

None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the Company’s interim financial report for the six months ended 30 June 2024.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines:		
Copper products related:		
– Sales of high precision copper plates and strips	3,435,293	2,670,276
– Processing service fees	129,539	109,177
– Trading of raw materials	25,886	22,229
	<u>3,590,718</u>	<u>2,801,682</u>
Online games related:		
– Publishing and operating online games	1,865	2,480
– Webgames products	923	5,133
	<u>2,788</u>	<u>7,613</u>
	<u>3,593,506</u>	<u>2,809,295</u>
Disaggregated by timing of revenue recognition:		
– Point in time	3,590,718	2,801,682
– Over time	2,788	7,613
	<u>3,593,506</u>	<u>2,809,295</u>

Disaggregated by geographical location of customers:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
– Chinese Mainland	3,187,147	2,516,118
– Taiwan, China	106,194	27,344
– Singapore	51,596	3,170
– Hong Kong, China	46,240	46,428
– India	31,764	17,634
– Bangladesh	29,564	32,821
– Vietnam	15,524	15,702
– Thailand	14,951	15,808
– Japan	12,171	9,094
– Other locations	98,355	125,176
	<u>3,593,506</u>	<u>2,809,295</u>

The Group's customer base is diversified and no single customer contributed over 10% of the total revenue of the Group for both the six months ended 30 June 2024 and 2023.

(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.

5 OTHER GAINS AND (LOSSES), NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Credit losses allowance on trade and other receivables	(6,254)	(1,482)
Losses on disposal of property, plant and equipment	(491)	(1,247)
Net losses on metal future contracts	(60,458)	(3,071)
Others	(248)	(535)
	<u>(67,451)</u>	<u>(6,335)</u>

6 PROFIT BEFORE TAXATION

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

(a) Net finance (costs)/income

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income from bank deposits	15,491	18,042
Net foreign exchange gains	—	5,045
	<u>15,491</u>	<u>23,087</u>
Finance income	15,491	23,087
Interest expenses on interest-bearing borrowings	(23,218)	(18,880)
Interest on lease liabilities	(10)	(49)
Less: interest expenses capitalised*	992	860
	<u>(22,236)</u>	<u>(18,069)</u>
Net interest expenses recognised in profit or loss	(22,236)	(18,069)
Net foreign exchange losses	(5,391)	—
Losses from foreign exchange forward contracts, swap contracts and option contracts	(113)	(910)
	<u>(27,740)</u>	<u>(18,979)</u>
Finance costs	(27,740)	(18,979)
Net finance (costs)/income	<u>(12,249)</u>	<u>4,108</u>

* The borrowing costs were capitalised at rates ranging from 3.2% to 4.3% per annum during the six months ended 30 June 2024 (six months ended 30 June 2023: 3.2% to 4.3%).

(b) Other items

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Cost of inventories *	3,161,144	2,520,220
Research and development expenses (included in administrative expenses)	80,252	84,870
Depreciation		
– Property, plant and equipment	50,922	49,878
– Right-of-use assets	1,066	1,323
Government grants	26,331	13,799

* Cost of inventories includes depreciation of RMB28,658,000 (six months ended 30 June 2023: RMB27,027,000), which is also included in the total amount of depreciation expenses disclosed separately below.

7 INCOME TAX

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax		
Provision for the period	42,552	17,651
Under/(over)-provision in respect of prior year	2,931	(4,323)
	<u>45,483</u>	<u>13,328</u>
Deferred tax		
Origination and reversal of temporary differences	(2,955)	3,844
	<u>42,528</u>	<u>17,172</u>

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

The Group's consolidated effective tax rate for the six months ended 30 June 2024 was 23% (six months ended 30 June 2023: 14%). The increase in the effective tax rate was mainly due to the decrease in the estimated additional deduction for qualified R&D expenses.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB140,937,000 (six months ended 30 June 2023: RMB107,726,000) and the weighted average number of 882,458,611 ordinary shares (six months ended 30 June 2023: 887,732,926 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

As at 30 June 2024, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB140,937,000 for the six months ended 30 June 2024 and the weighted average number of 882,564,419 ordinary shares outstanding after adjustment of all dilutive potential ordinary shares.

As at 30 June 2023, diluted earnings per share is the same as basic earnings per share as there are no dilutive potential shares during the period.

9 INVENTORIES

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Raw materials	320,947	184,894
Work in progress	883,299	850,100
Finished goods	327,561	284,091
Others	267	266
	<u>1,532,074</u>	<u>1,319,351</u>

Provisions of RMB17,929,000 (31 December 2023: RMB18,185,000) were made against those inventories with net realisable value lower than carrying value as at 30 June 2024. Except for the above, none of the inventories as at 30 June 2024 were carried at net realisable value (2023: Nil).

Certain inventories with a maximum aggregate carrying amount of RMB480,000,000 were pledged as security for bank loans at 30 June 2024 (31 December 2023: RMB330,000,000) (see note 11 (iii)).

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Trade and bills receivable, net of credit loss allowance	739,525	572,107
Deposits for metal future contracts	72,911	62,834
Receivables under metal future contracts	—	2,217
Other debtors, net of credit loss allowance	2,027	621
Financial assets measured at amortised cost	814,463	637,779
VAT recoverable	44,737	39,936
Prepayments	36,656	29,511
	895,856	707,226

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

As at 30 June 2024, 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 RMB126,690,000 (31 December 2023: RMB87,387,000). In the opinion of the Directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, it continues to recognise the full carrying amounts of these bills receivable and the associated trade payables settled, and has recognised the cash received on the transfer as cash advances under discounted bills.

Ageing analysis

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

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Within 3 months	669,021	527,251
Over 3 months but less than 6 months	63,594	40,473
Over 6 months but less than 1 year	4,085	1,686
Over 1 year	2,825	2,697
	739,525	572,107

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

As at 30 June 2024, the Group's bills receivables with an age over 3 months in amount of RMB53,557,000 (31 December 2023: RMB31,302,000).

As at 30 June 2024, nil of Group's bills receivables (31 December 2023: Nil) were pledged to banks for issuance of bank acceptance bills and raising loans.

11 INTEREST-BEARING BORROWINGS

At 30 June 2024, interest-bearing borrowings were repayable based on scheduled repayment dates set out in the underlying loan agreements as follows:

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Current		
Short-term secured bank loans	275,641	297,989
Unsecured bank loans	203,153	80,066
Bank advances under discounted bills	970,351	588,455
Current portion of non-current secured bank loans	79,015	81,587
	<u>1,528,160</u>	<u>1,048,097</u>
Non-current		
Secured bank loans	432,509	152,582
	<u>1,960,669</u>	<u>1,200,679</u>

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

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Within 1 year	1,528,160	1,048,097
Over 1 year but less than 2 years	31,376	9,607
Over 2 years but less than 5 years	222,726	142,975
Over 5 years	178,407	—
	<u>1,960,669</u>	<u>1,200,679</u>

- (ii) The Group's interest-bearing borrowings in the amount of RMB123,500,000 (31 December 2023: RMB180,000,000) 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 six months ended 30 June 2024, none of these covenants related to drawn down facilities were breached.
- (iii) The secured bank loans as at 30 June 2024 bore interest at rates ranging from 0.30% to 6.30% (31 December 2023: 0.30% to 5.85%) per annum and were pledged by the following assets:

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Carrying amounts of pledged assets:		
Inventories	480,000	330,000
Property, plant and equipment	140,602	149,520
Right-of-use assets	6,164	6,270
	<u>626,766</u>	<u>485,790</u>

- (iv) Unsecured bank loans as at 30 June 2024 bear interest at a rate of 2.80% to 3.01% (31 December 2023: 2.9% to 3.0%) per annum.

12 TRADE AND OTHER PAYABLES

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Trade and bills payable	1,168,844	1,213,057
Staff benefits payable	69,595	74,155
Payables for purchase of property, plant and equipment	36,724	52,706
Accrued expenses and others	24,364	34,871
Financial liabilities measured at amortised cost	<u>1,299,527</u>	1,374,789
Contract liabilities	<u>28,612</u>	27,887
	<u>1,328,139</u>	<u>1,402,676</u>

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

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Within 3 months	1,086,097	1,056,862
Over 3 months but within 6 months	71,398	148,138
Over 6 months but within 1 year	5,604	2,374
Over 1 year	5,745	5,683
	<u>1,168,844</u>	<u>1,213,057</u>

13 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 18 April 2016 (the “**Adoption Date**”), the Company adopted a share award scheme (the “**Share Award Scheme**”) to recognise and reward the contribution of eligible employees to the growth and development of the Group through an award of the Company’s shares.

The Company has appointed a trustee for administration of the Share Award Scheme (the “**Trustee**”). The principal activity of the Trustee is administrating and holding the Company’s shares for the Share Award Scheme (the “**Trust**”) for the benefit of the Company’s eligible employees. Pursuant to the Share Award Scheme, the Company’s shares will be purchased by the Trustee in the market out of cash contributed by the Company and held in the Trust for relevant employees until such shares are vested in the relevant beneficiary in accordance with the provisions of the Share Award Scheme at no cost. The total number of 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 30 June 2024, the Company has accumulatively contributed HKD56,510,000 (equivalent to RMB49,312,000) (31 December 2023: HKD54,510,000 (equivalent to RMB47,498,000)) to the Trust and the amount was recorded as “Investments in subsidiaries” in the Company’s statement of financial position.

As at 30 June 2024, the Trustee has accumulatively purchased 53,122,000 shares (31 December 2023: 47,586,000 shares) of the Company at a total cost (including related transaction costs) of HKD55,843,000 (equivalent to RMB48,939,000) (31 December 2023: HKD50,044,000 (equivalent to RMB43,668,000)).

According to the Resolution of the Board of Company on 22 December 2023, 14,000,000 ordinary shares held under the Share Award Scheme were granted to 3 directors and 7 employees of the Group at nil consideration. The Award Shares will be vested in two tranches, 7,000,000 shares on 22 December 2023 and 7,000,000 shares on 23 December 2024, respectively. The fair value of these Awarded Shares was determined by reference to the closing price of the Company's ordinary shares on 22 December 2023, i.e. HKD1.06 per share (equivalent to RMB0.96 per share).

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

	2024			2023		
	Average purchase price <i>HKD</i>	No. of shares held	Value <i>RMB'000</i>	Average purchase price <i>HKD</i>	No. of shares held	Value <i>RMB'000</i>
At 1 January	1.05	19,200,000	18,853	1.02	9,937,000	9,597
Shares purchased during the period/year	1.05	5,536,000	5,271	1.11	16,263,000	16,130
Shares vested during the period/year	–	–	–	–	(7,000,000)	(6,874)
At 30 June/31 December	<u>1.05</u>	<u>24,736,000</u>	<u>24,124</u>	<u>1.05</u>	<u>19,200,000</u>	<u>18,853</u>

14 DIVIDENDS

During the six months period ended 30 June 2024, no dividend was declared or distributed and the Directors have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

COPPER PROCESSING BUSINESS

Market and Industry Review

In the first half of 2024, the global economy experienced a moderate recovery. Despite lingering uncertainties, most economies managed to avoid stagflation and achieved a stable recovery in the first half of 2024, largely attributable to a series of economic and financial policies. Domestic economic performance was generally stable with steady progress in the first half of 2024, with the manufacturing sector accelerating its transformation and upgrading, while domestic consumption and investment remained in need of more stimulation. In the first half of 2024, global copper prices hit all-time highs amid fierce battles between the long side and the short side in the copper market, fueled by factors such as the expectation of the US Federal Reserve's interest rate cut, and the continued decline in copper concentrate treatment and refining charges ("TC/RCs"), and low overseas inventories.

In the first half of 2024, expectations of tight supply of copper gradually intensified due to frequent disruptions in copper mine supply. Despite the continued decline in spot copper concentrate TC/RCs, copper mine supply still increased in the first half of 2024. On the consumption side, copper demand remained stable with a slight upward trend. In the first half of 2024, traditional consumption sectors such as power grids and household appliances performed steadily, benefiting from domestic policies aimed at stabilising growth and boosting domestic demand. However, new energy sectors that had seen impressive growth in 2023, including wind power, photovoltaics, and electric vehicles, slowed down a bit in the first half of 2024. The accelerated downturn in the real estate sector dragged down copper consumption. Fortunately, the infrastructure development around artificial intelligence ushered in new development opportunities for the copper consumption sector, with upgrades to data centres and the transition to 5G base station equipment creating substantial demand for copper materials.

In the first half of 2024, copper prices showed a rising trend first, and then followed by a sharp drop. In late January, copper prices experienced a slight increase before entering a phase of range-bound oscillations amid the backdrop of rising anticipation of the US Federal Reserve's interest rate cut and the more-than-expected reduction in the reserve requirement ratio announced by the People's Bank of China ("PBOC") to boost market confidence, and then embarked on a continuous unilateral rise starting from early March. In mid-to-late May, the high open interest and low inventory situation in the Commodity Exchange, Inc. ("COMEX") market triggered an accelerated pull-up in copper futures prices, with both spot and futures copper prices hitting record highs. Three-month copper on the London Metal Exchange

(“LME”) peaked at US\$11,104 per ton, while the main copper futures contract on the Shanghai Futures Exchange (“SHFE”) reached a high of RMB88,940 per ton. Subsequently, the bullish sentiment waned down and copper prices fell from their record highs. As of the end of June 2024, the average prices of LME spot copper and three-month copper stood at US\$9,641 per ton and US\$9,776 per ton, respectively, representing a year-on-year increase of 15.8% and 17.5%, and a month-on-month decrease of 4.8% and 4.6%, respectively. The average prices of SHFE spot copper and three-month copper stood at RMB79,025 per ton and RMB80,220 per ton, respectively, representing a year-on-year increase of 16.9% and 19.9%, and a month-on-month decrease of 5.7% and 3.6%, respectively.

In the first half of 2024, the rapidly rising copper prices suppressed end-user demand. Analysing by product series: in terms of red copper strips, the demand for regular red copper strips declined slightly in the first half of 2024 due to strong homogenisation and intense competition. However, demand for high-precision red copper strips was driven by growth of the new energy industry chain and transformers. In respect of brass strips, demand for brass strips continued to weaken due to a certain decrease in demand from the real estate and clothing auxiliaries and decoration sectors. As for alloy strips, demand for high-end copper alloy strips remained relatively stable, and domestic high-end copper alloy strips are gradually replacing certain foreign copper alloy strips, therefore orders are still on the rise despite the substantial rise in spot prices.

Business Review

In the first half of 2024, the Group’s copper plates and strips business realised a total production output of 76,758 tons and total sales volume of 74,122 tons, representing a respective increase of 22.1% and 21.0% as compared to the total production output of 62,879 tons and total sales volume of 61,234 tons for the corresponding period in 2023. During the six months ended 30 June 2024 (“**Reporting Period**”), the Group’s copper plates and strips business realised sales revenue of RMB3,590.7 million, representing an increase of 28.2% as compared to the corresponding period in 2023. In particular, revenue from the sales of copper products amounted to RMB3,435.3 million, revenue from provision of processing services amounted to RMB129.5 million, and revenue from copper trading amounted to RMB25.9 million, representing an increase of 28.6%, 18.6% and 16.7% as compared to the corresponding period in 2023, respectively. In the first half of 2024, the Group’s copper business realised a net profit of RMB143.4 million, representing an increase of 32.0% as compared to the net profit of RMB108.6 million for the corresponding period in 2023, mainly due to the increase in sales volume and copper prices as compared to the corresponding period in 2023.

Business Development

During the Reporting Period, in accordance with the annual business plan of “maintaining total volume, developing new products, strengthening management and enhancing efficiency”, the Group formulated specific initiatives to proactively cope with the increasingly challenging market environment, and achieved the expected results, mainly reflected as follows:

1. Increment in overall production output and sales volume, as well as high value-added products. During the Reporting Period, the Group’s total production output exceeded 76,000 tons and sales volume exceeded 74,000 tons, representing a year-on-year growth of over 20%, with the sales volume of high value-added products accounting for more than 8%, all surpassing the targets set at the beginning of the year. Meanwhile, the Group accelerated its research, development and innovation, focusing on the research, development and trial production of certain high-performance copper alloy material, some of which are already in the stage of customer verification and testing.
2. The successful implementation of specialized production model. During the Reporting Period, Ningbo Xinyue Alloy Materials Co., Ltd., a subsidiary of the Group, was progressively completing the commissioning of equipment and trial production, and achieved satisfactory progress. The Group is in the process of establishing three major specialized production bases, which will enable the provision of products with more stable quality, more punctual delivery and more comprehensive customization for customers.
3. Accelerating the transformation to digital factories. In order to become an all-round digital enterprise, the Company continued to promote digital transformation and accelerate the implementation of application scenarios during the Reporting Period. In the first half of 2024, the Group focused on developing information systems for various modules in the factory area, and also developed information projects such as the equipment data collection system.
4. Steady improvement of basic management level. During the Reporting Period, the Group engaged two world renowned consulting firms to carry out strategic and management consulting projects related to organizational and performance optimization, and marketing strategy, etc. At the same time, the Group continued to promote the transformation of project results and carried out work such as quality loss grading, performance appraisal of managers, and performance dialogue modules at the frontline of production. The implementation of such work effectively improved the Group’s core competitiveness and provided strong support for the sustainable development of the Group.

5. Multiple measures to reduce costs and increase efficiency. Cost reduction is a long-term key strategy for the Group. During the Reporting Period, the Group actively attempted a number of cost reduction measures, including increasing the procurement of waste raw materials, reducing financial expenses, improving energy efficiency, strictly controlling material consumption, accelerating material turnover, and continuously improving processes and formulas, and achieved significant results.

Outlook

In the second half of 2024, geopolitical turmoil and Sino-US trade frictions will remain uncertain and constrain China's macroeconomic development. However, with the implementation of proactive domestic fiscal policies and measures to expand domestic demand, coupled with the expectation of interest rate cut by the US Federal Reserve, downstream industries of the copper plate and strip industry, such as consumer electronics and new energy vehicles, are expected to further rebound, which will support the steady growth in industry orders. The management of the Group believes that with the establishment of the three major specialized production bases, together with the continuous improvement of management level, the Group is confident in and capable of coping with the increasingly complex external environment and seizing development opportunities to achieve all established targets and create better business performance.

GAMING BUSINESS

During the six months ended 30 June 2024, the Group's gaming business realised a total revenue of RMB2.8 million and a net loss of RMB2.3 million, as compared to a total revenue of RMB7.6 million and a net loss of RMB0.7 million for the corresponding period in 2023. The loss was mainly due to the decline in revenue from existing gaming products. Looking forward to the second half of 2024, the Group's gaming business will actively try to increase revenue from new products through business models such as commissioned development.

FINANCIAL REVIEW

Revenue and gross profit

The Group recorded a total sales revenue of RMB3,593.5 million in the Reporting Period, which increased by 27.9% as compared with that of the corresponding period in 2023.

The Group's copper business achieved a total revenue of RMB3,590.7 million for the six months ended 30 June 2024, representing an increase of 28.2% as compared with RMB2,801.7 million of the corresponding period in 2023. Revenue generated from the sales of high precision copper plates and strips, provision of processing services, and trading of raw materials amounted to RMB3,435.3 million, RMB129.5 million and RMB25.9 million respectively (six months ended 30 June 2023: RMB2,670.3 million, RMB109.2 million and RMB22.2 million respectively). For the six months ended 30 June 2024, 95.7%, 3.6% and 0.7% of total revenue were derived from the sales of high precision copper plates and strips, provision of processing services, and trading of raw materials respectively (six months ended 30 June 2023: 95.3%, 3.9% and 0.8% respectively). For the six months ended 30 June 2024, sales volume of high precision copper plates and strips, provision of processing services, and trading of raw material were 50,605 tons, 23,517 tons and 2,111 tons respectively, representing 66.4%, 30.8% and 2.8% of the total sales volume respectively.

The Group's online gaming business achieved a revenue of RMB2.8 million for the six months ended 30 June 2024, representing 0.1% of the total revenue of the Group (six months ended 30 June 2023: RMB7.6 million).

The overall gross margin of the Group's copper business for the Reporting Period increased to 12.0% from 10.0% of the corresponding period in 2023, which was mainly due to the following reasons: (1) the increase in average copper price as compared with the corresponding period in 2023; and (2) the decrease in processing cost per ton as compared with the corresponding period in 2023.

Other income

During the six months ended 30 June 2024, the Group's other income amounted to RMB26.8 million, representing an increase of RMB12.8 million as compared with that of RMB14.0 million of the corresponding period in 2023. This was mainly due to the increase in government grants.

Other gains and losses, net

For the six months ended 30 June 2024, the Group recorded RMB67.5 million in other losses, representing an increase of RMB 61.2 million as compared with that of RMB6.3 million for the corresponding period in 2023. This was mainly due to the increase in a net loss on metal future contracts.

Distribution expenses

For the six months ended 30 June 2024, the ratio of distribution expenses to revenue was 0.7%, which was comparable as that of the corresponding period in 2023.

Administrative expenses

For the six months ended 30 June 2024, the Group's administrative expenses increased by 10.5% to RMB167.4 million from RMB151.5 million in the corresponding period in 2023, which was attributable to an increase in personnel costs and consulting services fee.

Net finance (costs)/income

For the six months ended 30 June 2024, the Group recorded net finance costs of RMB12.2 million. While for the corresponding period in 2023, the Group recorded net finance income of RMB4.1 million. This was mainly due to an increase in interest expenses on interest-bearing borrowings and net foreign exchange losses.

Income tax

For the six months ended 30 June 2024, the Group's income tax expenses was RMB42.5 million (six months ended 30 June 2023: RMB17.2 million). The Group's consolidated effective tax rate for the six months ended 30 June 2024 was 23% (six months ended 30 June 2023: 14%). The increase in the effective tax rate was mainly due to the decrease in the estimated additional deduction for qualified R&D expenses.

Profit attributable to the shareholders of the Company

The profit attributable to shareholders of the Company for the six months ended 30 June 2024 amounted to RMB140.9 million, representing an increase of RMB33.2 million as compared with that of RMB107.7 million of the corresponding period in 2023.

Liquidity financial resources and capital structure

As at 30 June 2024, the Group recorded net current assets of RMB1,215.4 million (31 December 2023: RMB860.2 million), which was primarily because the Group had more restricted bank deposits and cash and cash equivalents as compared with that as at 31 December 2023.

As a percentage of total interest-bearing borrowings, short-term interest-bearing borrowings represented 77.9% as at 30 June 2024 (31 December 2023: 87.3%). As at the date of this announcement, the Group had not experienced any difficulty in raising funds by securing and rolling over the short-term loans borrowed from various banks in the PRC, which were renewed on an annual basis in accordance with local market practice.

The Group is able to generate net cash inflows from operating activities. Also, the Group has good credit standing and relationships with principal lending banks and possesses available undrawn banking facilities of RMB2,648.8 million that will not expire within 12 months from 30 June 2024 (including long term loan facilities amounting to RMB797.4 million effective until 2034) and cash at banks of RMB1,660.6 million (comprised of restricted bank deposits of RMB841.2 million, bank deposits with original maturity over three months of RMB118.5 million and cash and cash equivalents of RMB700.9 million) respectively. Based on previous experience and the Group's relationships with its principal lending banks, the Board believes that the Group can roll over the existing short-term bank borrowings upon maturity in the coming year. The Board is confident that the Group has adequate financial resources to sustain its working capital requirements and meet its foreseeable debt repayment requirements.

As at 30 June 2024, the Group had outstanding bank loans and other borrowings of approximately RMB1,528.2 million (31 December 2023: RMB1,048.1 million), which shall be repaid within 1 year. As at 30 June 2024, 40.1% (31 December 2023: 44.3%) of the Group's debts was on a secured basis.

The gearing ratio as at 30 June 2024 was 41.0% (31 December 2023: 32.1%), which is calculated as net debt divided by total capital. Net debt is calculated as total debt (including all interest-bearing borrowings, lease liabilities and bills payable as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity attributable to equity shareholders of the Company as shown in the consolidated statement of financial position plus net debt.

Charge on assets

As at 30 June 2024, the Group pledged assets with an aggregate carrying value of RMB626.8 million (31 December 2023: RMB485.8 million) to secure bank loans and facilities of the Group.

Capital expenditure

For the six months ended 30 June 2024, the Group has invested approximately RMB115.4 million (six months ended 30 June 2023: RMB105.9 million) in purchase of property, plant and equipment. These capital expenditures were largely financed by internal resources and bank borrowings.

Capital commitments

As at 30 June 2024, future capital expenditures, for which the Group had contracted but not provided for, amounted to RMB249.6 million (31 December 2023: RMB324.5 million), which are mainly for plant construction and capacity expansion of the Group's copper processing business.

Contingent liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities.

MARKET RISK

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

Price risk

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

The Group uses its copper futures contracts in SHFE and LME to hedge against fluctuations in copper price. The Group recorded a net loss on metal future contracts of approximately RMB60.5 million for the six months ended 30 June 2024, which was RMB3.1 million in the corresponding period in 2023. The net loss of future contracts is mainly due to the Group had a net short position of copper future contracts to hedge against the price risks of the physical copper inventory held by the Group. During the second quarter of 2024, copper prices experienced drastic increase and caused the net loss of those future contracts.

Interest rate risk

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

Foreign exchange risk

The Group's export sales and certain parts of the purchase of raw materials were denominated in foreign currencies, primarily U.S. dollars. Therefore, the Group has exposure for foreign exchange risks and the Group uses foreign exchange forward contracts and swap contracts to hedge its foreign exchange risks. For the Reporting Period, the Group recorded net foreign exchange losses of RMB5.4 million, while recording net foreign exchange gains of RMB5.0 million in the corresponding period in 2023. Meanwhile, the Group recorded a net loss of RMB0.1 million (six months ended 30 June 2023: RMB0.9 million) from foreign exchange forward contracts and swap contracts during the Reporting Period.

EMPLOYEES

As at 30 June 2024, the total number of the Group's employees was 1,706 (31 December 2023: 1,578). Remuneration policies are reviewed periodically to ensure that the Group is offering competitive employment packages to employees. The employees' benefits include salaries, pensions, medical insurance scheme and other applicable social insurance. Also, share options may be granted and shares may be awarded to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company and share award scheme adopted by the Board respectively. Promotion and salary increments are assessed in accordance with performance. The Group's business growth depends on its employees' skills and contributions. The Group recognises the importance of human resources in a highly competitive industry and has devoted resources for training its employees. The Group has established an annual training program for employees so that new employees can master the basic skills required to perform their duties, and existing employees can enhance or upgrade their skills.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

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

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

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

The Board of the Company also adopted the Share Award Scheme on 18 April 2016. Details of the Share Award Scheme are set out in note 13 of the notes to the unaudited interim financial results in this announcement.

The principal terms of the 2016 Share Option Scheme and the Share Award Scheme were set out in the published annual report of the Company for the year ended 31 December 2023.

AUDIT COMMITTEE

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the part 2 of the Corporate Governance Code in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Board of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”). Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The trustee of the Share Award Scheme defined in note 13, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 5,536,000 shares of the Company at a total consideration of HKD5,799,000 (equivalent to RMB5,271,000) for the six months ended 30 June 2024.

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 six months ended 30 June 2024.

INTERIM DIVIDEND

The Board of the Company did not declare the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after the Reporting Period and up to the date of this announcement.

PUBLICATION OF 2024 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website (www.xingyealloy.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The Company's 2024 interim report will be made available on the websites of the Company and Hong Kong Exchanges and Clearing Limited and will be despatched to the Company's shareholders in due course.

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

Hong Kong, 30 August 2024

As at the date of this announcement, the executive Directors of the Company are Mr. HU Changyuan, Mr. HU Minglie and Mr. ZHU Wenjun; and the independent non-executive Directors of the Company are Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong.