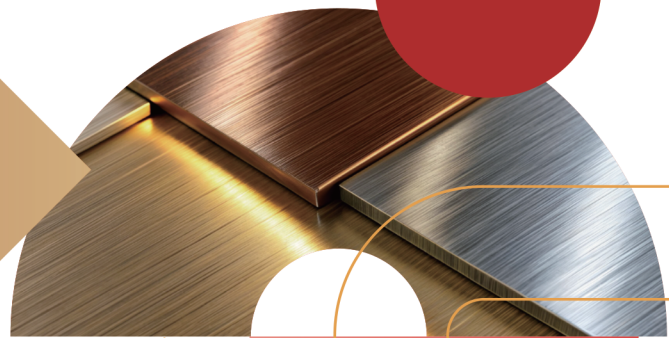





Xingye Alloy Materials Group Limited
興業合金材料集團有限公司
(incorporated in the Cayman Islands with limited liability)
Stock Code : 00505

2024
INTERIM
REPORT





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Mr. ZHU Wenjun
Ms. MUI Ngar May, Joel

PRINCIPAL LEGAL ADVISORS

P.R.C. & Hong Kong

Zhong Lun Law Firm/Zhong Lun Law Firm LLP

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

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 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank
Bank of China

COMPANY WEBSITE

www.xingyealloy.com

STOCK CODE

505

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024 (unaudited)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
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
Finance income		15,491	23,087
Finance costs		(27,740)	(18,979)
Net finance (costs)/income	6(a)	(12,249)	4,108
Profit before taxation		183,663	125,058
Income tax	7	(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 (RMB cents)	8(a)	15.97	12.13
– Diluted (RMB cents)	8(b)	15.97	12.13

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 (unaudited)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
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 differences 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 differences 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 (unaudited)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	9	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
		1,370,368	1,298,209
Current assets			
Inventories	10	1,532,074	1,319,351
Trade and other receivables	11	895,856	707,226
Derivative financial instruments		22,405	249
Restricted bank deposits	12	841,227	740,676
Bank deposits with original maturity over three months		118,522	155,106
Cash and cash equivalents		700,931	418,750
		4,111,015	3,341,358
Current liabilities			
Derivative financial instruments		–	6,415
Interest-bearing borrowings	13	1,528,160	1,048,097
Trade and other payables	14	1,328,139	1,402,676
Lease liabilities		49	887
Income tax payable		39,228	23,078
		2,895,576	2,481,153
Net current assets		1,215,439	860,205
Total assets less current liabilities		2,585,807	2,158,414

Consolidated Statement of Financial Position (Continued)

As at 30 June 2024 (unaudited)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current liabilities			
Interest-bearing borrowings	13	432,509	152,582
Lease liabilities		38	156
Deferred income		57,900	35,025
Deferred tax liabilities		6,000	6,000
		496,447	193,763
NET ASSETS			
		2,089,360	1,964,651
CAPITAL AND RESERVES			
	15		
Share capital		80,774	80,774
Reserves		2,004,898	1,880,887
Total equity attributable to equity shareholders of the Company			
		2,085,672	1,961,661
Non-controlling interests		3,688	2,990
TOTAL EQUITY			
		2,089,360	1,964,651

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 (unaudited)

Note	Attributable to equity shareholders of the Company										
	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 the	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
						Share Award Scheme RMB'000					
As at 1 January 2024	80,774	354,133	258,060	83,529	(13,014)	(18,853)	165	1,216,867	1,961,661	2,990	1,964,651
Profit for the period	-	-	-	-	-	-	-	140,937	140,937	198	141,135
Other comprehensive income	-	-	-	-	208	-	-	-	208	-	208
Total comprehensive income for the period	-	-	-	-	208	-	-	140,937	141,145	198	141,343
Profit appropriation to reserve	-	-	-	29,412	-	-	-	(29,412)	-	-	-
Withdrawal staff bonus and welfare fund	-	-	-	-	-	-	-	(14,706)	(14,706)	-	(14,706)
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(500)	(500)	-	(500)
Capital injection from minority shareholder	-	-	-	-	-	-	-	-	-	500	500
Share Award Scheme:											
- Treasury shares held for the Share Award Scheme	17	-	-	-	-	(5,271)	-	-	(5,271)	-	(5,271)
- Shares granted from the Share Award Scheme	17	-	-	-	-	-	3,343	-	3,343	-	3,343
As at 30 June 2024	80,774	354,133	258,060	112,941	(12,806)	(24,124)	3,508	1,313,186	2,085,672	3,688	2,089,360

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2024 (unaudited)

Attributable to equity shareholders of the Company												
						Treasury shares held for the Share Award Scheme	Share-based compensation reserve	Retained earnings	Total	Non- controlling interests	Total equity	
Note	RMB'000	RMB'000	RMB'000	PRC statutory reserve RMB'000	Translation reserve RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2023	80,774	354,133	258,060	83,529	(13,666)	(9,597)	-	1,029,552	1,782,785	2,745	1,785,530	
Profit for the period	-	-	-	-	-	-	-	107,726	107,726	160	107,886	
Other comprehensive income	-	-	-	-	1,249	-	-	-	1,249	-	1,249	
Total comprehensive income for the period	-	-	-	-	1,249	-	-	107,726	108,975	160	109,135	
Share Award Scheme: - Treasury shares held for the Share Award Scheme	17	-	-	-	-	(11,146)	-	-	(11,146)	-	(11,146)	
As at 30 June 2023	80,774	354,133	258,060	83,529	(12,417)	(20,743)	-	1,137,278	1,880,614	2,905	1,883,519	

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024 (unaudited)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Operating activities		
Cash used in operations	(273,510)	(181,795)
Tax paid	(29,333)	(2,873)
Net cash used in operating activities	(302,843)	(184,668)
Investing activities		
Payment for the purchase of property, plant and equipment and right-of-use assets	(115,372)	(105,881)
Other cash flows arising from investing activities	38,170	109,690
Net cash (used in)/generated from investing activities	(77,202)	3,809
Financing activities		
Proceeds from interest-bearing borrowings	1,692,980	1,290,894
Repayment of interest-bearing borrowings	(933,602)	(846,254)
Change in pledged deposits	(91,676)	(89,020)
Capital element of lease rentals paid	(184)	(539)
Payment for purchase of shares in connection with the Share Award Scheme	(5,271)	(11,146)
Net cash generated from financing activities	662,247	343,935
Net increase in cash and cash equivalents	282,202	163,076
Cash and cash equivalents at 1 January	418,750	316,859
Effect of movements in exchange rates on cash held	(21)	4,678
Cash and cash equivalents at 30 June	700,931	484,613



Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

1 REPORTING ENTITY AND BACKGROUND INFORMATION

Xingye Alloy Materials Group Limited (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 (together referred to as the “**Group**”). 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 Company’s interim financial report 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 report 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.

This interim financial report 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**”).



Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued 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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

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
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
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	3,435,293	2,670,276
– Processing service fees	129,539	109,177
– Trading of raw materials	25,886	22,229
	3,590,718	2,801,682
Online games related:		
– Publishing and operating online games	1,865	2,480
– Webgames products	923	5,133
	2,788	7,613
	3,593,506	2,809,295
Disaggregated by timing of revenue recognition:		
– Point in time	3,590,718	2,801,682
– Over time	2,788	7,613
	3,593,506	2,809,295
Disaggregated by geographical location of customers:		
– 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
	3,593,506	2,809,295

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Disaggregation of revenue (continued)

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 RMB'000 (unaudited)	2023 RMB'000 (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)
	(67,451)	(6,335)

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

6 PROFIT BEFORE TAXATION

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

(a) Net finance (costs)/income

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Interest income from bank deposits	15,491	18,042
Net foreign exchange gains	–	5,045
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
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)
Finance costs	(27,740)	(18,979)
Net finance (costs)/income	(12,249)	4,108

* 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 RMB'000 (unaudited)	2023 RMB'000 (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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

7 INCOME TAX

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

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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of RMB105,247,000 in total (six months ended 30 June 2023: RMB111,492,000). Items of property, plant and equipment with a net book value of RMB648,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB2,466,000), resulting in loss of RMB491,000 on disposal (six months ended 30 June 2023: loss of RMB1,247,000).

10 INVENTORIES

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

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 13(iii)).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

11 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 allowance for doubtful debts is as follows:

	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (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.

12 RESTRICTED BANK DEPOSITS

	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
Guarantee deposits for issuance of commercial bills	824,483	740,676
Others	16,744	–
	841,227	740,676

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

13 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 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (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
	1,528,160	1,048,097
Non-current		
Secured bank loans	432,509	152,582
	1,960,669	1,200,679

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

13 INTEREST-BEARING BORROWINGS (continued)

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

	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (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	–
	1,960,669	1,200,679

- (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 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (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
	626,766	485,790

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

14 TRADE AND OTHER PAYABLES

	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (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	1,299,527	1,374,789
Contract liabilities	28,612	27,887
	1,328,139	1,402,676

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 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (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
	1,168,844	1,213,057

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

During the period ended 30 June 2024, no dividend was declared or distributed and the Directors of the Company have determined that no dividend will be paid in respect of the interim period.

(b) Share capital

Authorised

	30 June 2024		31 December 2023	
	Number of shares (unaudited)	Amount HKD'000 (unaudited)	Number of shares (audited)	Amount HKD'000 (audited)
Ordinary shares of HKD0.1 each	5,000,000,000	500,000	5,000,000,000	500,000

Ordinary shares issued and fully paid

	30 June 2024			31 December 2023		
	Number of shares '000 (unaudited)	Amount HKD'000 (unaudited)	Equivalent RMB'000 (unaudited)	Number of shares '000 (audited)	Amount HKD'000 (audited)	Equivalent RMB'000 (audited)
At 1 January	899,559	89,959	80,774	899,559	89,959	80,774
At 30 June/31 December	899,559	89,959	80,774	899,559	89,959	80,774

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

15 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) 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, 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. 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 the end of the current and previous reporting periods was as follows:

	30 June 2024	31 December 2023
Gearing ratio	41.02%	32.12%

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

	Fair value at 30 June 2024 RMB'000 (unaudited)	Fair value measurements as at 30 June 2024 categorised into		
		Level 1 RMB'000 (unaudited)	Level 2 RMB'000 (unaudited)	Level 3 RMB'000 (unaudited)
Assets:				
Derivative financial instruments:				
– Metal future contracts	22,405	22,405	–	–

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value at	Fair value measurements as at		
	31 December	31 December 2023 categorised into		
	2023	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)
<i>Assets:</i>				
Derivative financial instruments:				
– Metal future contracts	249	249	–	–
<i>Liabilities:</i>				
Derivative financial instruments:				
– Metal future contracts	(5,460)	(5,460)	–	–
– Foreign exchange forward contracts and swap contracts	(955)	(955)	–	–

During the six months ended 30 June 2024, 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 transfer 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.

(b) 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 reporting period.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

17 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 number of shares of the Company in issue 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:

	Average purchase price HKD	2024 No. of shares held	Value RMB’000	Average purchase price HKD	2023 No. of shares held	Value RMB’000
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	1.05	24,736,000	24,124	1.05	19,200,000	18,853

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2024

18 COMMITMENTS

Capital commitments in respect of acquisition of property, plant and equipment at the end of the reporting period not provided for in the consolidated financial statements were as follows:

	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
Contracted for	249,622	324,477

19 KEY MANAGEMENT PERSONNEL REMUNERATIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors of the Group. The key management personnel remunerations are as follows:

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Short-term employee benefits	3,462	3,291
Equity-settled share-based payments	2,388	–
Post-employee benefits	33	29
	5,883	3,320



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.



Management Discussion and Analysis

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 2024. 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.



Management Discussion and Analysis

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.



Management Discussion and Analysis

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 RMB61.2 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.



Management Discussion and Analysis

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 report, 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.

SIGNIFICANT INVESTMENTS

As at 30 June 2024, the Group had no significant investment with a value of 5% or more of the Group's total assets.



Management Discussion and Analysis

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 six months ended 30 June 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other future plans for material investments or capital assets as at 30 June 2024.

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.



Management Discussion and Analysis

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.

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 interim report.

Other Information

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

As at 30 June 2024, 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 (“SFO”), which have been notified to the Company and The Stock Exchange of Hong Kong Limited (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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix C3 of the Listing Rules, were as follows:

Interest in Long Position in Shares of HK\$0.10 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	5,500,000	2,000,000 (Note 4)	0.83%
HU Minglie	Beneficial owner/personal Interest	8,603,000	2,000,000 (Note 4)	1.18%
ZHU Wenjun	Beneficial owner/personal interest	2,050,000	500,000 (Note 4)	0.28%
CHAI Chaoming	Beneficial owner/personal Interest	434,000	–	0.05%
LOU Dong	Beneficial owner/personal interest	300,000	–	0.03%
LU Hong	Beneficial owner/personal Interest	500,000	–	0.06%

Notes:

- The percentages are calculated based on the total issued shares of 899,558,173 as at 30 June 2024.
- These 274,200,000 shares were held by Luckie Strike Limited and Come Fortune International Limited which were wholly owned by Dynamic Empire Holdings Limited as at 30 June 2024. 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.
- These 13,213,000 shares were held by Regency Success Limited, which is 100% controlled by Mr. HU Changyuan. Mr. HU was deemed to be interested in these shares by virtue of the SFO.

4. These underlying share (unlisted and physically settled) held by Directors are award shares granted to the Directors under the Share Award Scheme (as defined below) on 22 December 2023. Details of the said grant are set out in the announcement of the Company dated 22 December 2023, and the movement of award shares is set out in the section of “Share Award Scheme” below and note 17 to the financial statements.

Save as disclosed above, as at 30 June 2024, 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 FOR ACQUISITION OF SHARES OR DEBENTURES

Other than disclosed in the paragraphs headed “Share Option Scheme” and “Share Award Scheme” below, at no time during the Reporting Period were the Company or its subsidiaries parties 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.

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 “**2016 Share Option Scheme**”).

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

The number of share options available for grant under the 2016 Share Option Scheme as at 1 January 2024 and 30 June 2024 was 81,111,595 shares of the Company.

The Company has not granted any options since adoption of the 2016 Share Option Scheme. During the Reporting Period, no options were granted, exercised, lapsed, cancelled or outstanding under the 2016 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 six months ended 30 June 2024 would be nil.

Other Information

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”) on 18 April 2016 (the “Adoption Date”).

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

The number of new shares to be issued for satisfying the awards available for grant under the Share Award Scheme as at 1 January 2024 and 30 June 2024 was 16,222,319 shares of the Company.

During the six months ended 30 June 2024, no new shares were subscribed by the Trustee, a total of 5,536,000 shares of the Company were acquired by the Trustee pursuant to the rules and trust deed of the Share Award Scheme, no shares were granted to the selected employee(s), and no shares were vested, lapsed 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 six months ended 30 June 2024 would be nil. Accordingly, since the Adoption Date and up to 30 June 2024, there were 24,736,000 shares held in trust under the Share Award Scheme.

The table below shows the movements of the awarded shares granted under the Share Award Scheme involving existing shares of the Company during the six months ended 30 June 2024 and no purchase price will be paid by the participants upon vesting:

Participants	Date of grant	Number of shares					Outstanding unvested awards as at 30 June 2024	Vesting date
		Outstanding unvested awards as at 1 January 2024	Granted during the six months ended 30 June 2024	Vested during the six months ended 30 June 2024	Lapsed during the six months ended 30 June 2024	Outstanding unvested awards as at 30 June 2024		
Directors								
HU Changyuan	22/12/2023	2,000,000	-	-	-	2,000,000	On 23/12/2024	
HU Minglie	22/12/2023	2,000,000	-	-	-	2,000,000	On 23/12/2024	
ZHU Wenjun	22/12/2023	500,000	-	-	-	500,000	On 23/12/2024	
Other Selected Employees	22/12/2023	2,500,000	-	-	-	2,500,000	On 23/12/2024	

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, 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 or notified to the Company:

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	292,913,000 (L)	2,000,000 (L)	32.78%
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



Other Information

Notes:

1. The percentages are calculated based on the total issued shares of 899,558,173 as at 30 June 2024.
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. Dynamic Empire Holdings Limited was deemed to be interested in all the shares in which each of Luckie Strike Limited and Come Fortune International Limited was 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 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 and underlying shares under the SFO by virtue of being the spouse of Mr. HU Changyuan. The underlying shares (unlisted and physically settled) represented the awarded shares granted to Mr. HU Changyuan under the Share Award Scheme.
5. As per the notifications filed by Ms. MA Jiafeng ("**Ms. Ma**") and Mr. XIE Shicai ("**Mr. Xie**") respectively, on 2 March 2022, these 206,930,000 shares comprised (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 were 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 30 June 2024, so far as the Directors are aware, there were no other person, other than the Directors and chief executive of the Company as disclosed above, 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.

AUDIT COMMITTEE

The audit committee of the Board of the Company has reviewed with the 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 Reporting Period 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 Listing Rules throughout the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Board of the Company has adopted 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, 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 (for the six months ended 30 June 2023: Nil).



Other Information

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

To the best of the Directors' knowledge, there is no change of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the disclosure made in the annual report of the Company for the year ended 31 December 2023 up to the date of this interim report.

By Order of the Board

Xingye Alloy Materials Group Limited

HU Mingjie

Chief Executive Officer and Executive Director

Hong Kong, 30 August 2024