XIMEI RESOURCES HOLDING LIMITED
稀美資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9936)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS HIGHLIGHTS

- Revenue increased by 16.7% to approximately RMB600.6 million (2018: RMB514.7 million).
- Gross profit decreased by 3.8% to approximately RMB159.0 million (2018: RMB165.2 million).
- Gross profit margin decreased by 5.6% points to 26.5% (2018: 32.1%).
- Profit before taxation decreased by 6.8% to approximately RMB83.9 million (2018: RMB90.1 million).
- Profit attributable to owners of the Company decreased by 9.6% to approximately RMB69.7 million (2018: RMB77.1 million).
- Basic earnings per share decreased by 8.8% to approximately RMB0.31 (2018: RMB0.34).
- The Board did not recommend the payment of any final dividends for the year ended 31 December 2019 (2018: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Ximei Resources Holding Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Year Under Review**") and selected explanatory notes, together with the comparative figures of the corresponding year in 2018 as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
REVENUE	*4*	**600,644**	514,718
Cost of sales		**(441,640)**	(349,485)
Gross profit		**159,004**	165,233
Other income and gains	*4*	**7,622**	3,016
Selling and distribution expenses		**(7,193)**	(5,688)
Administrative expenses		**(56,777)**	(52,071)
Listing expenses		**(12,129)**	(4,829)
Other expenses		**(2,002)**	(12,368)
Finance costs	*5*	**(4,584)**	(3,199)
PROFIT BEFORE TAX	*6*	**83,941**	90,094
Income tax expense	*7*	**(14,289)**	(13,023)
PROFIT FOR THE YEAR		**69,652**	77,071
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (in RMB)	*9*	**0.31**	0.34

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**69,652**	77,071
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(319)**	(478)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	**(255)**	(35)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(574)**	(513)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**69,078**	76,558

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**89,530**	73,541
Right-of-use assets		**26,017**	26,993
Prepayments		**11,967**	7,285
Total non-current assets		**127,514**	107,819
CURRENT ASSETS			
Inventories		**129,879**	162,722
Trade and bills receivables	*10*	**169,158**	68,684
Prepayments, deposits and other receivables		**42,198**	34,633
Cash and cash equivalents		**58,475**	99,224
Total current assets		**399,710**	365,263
CURRENT LIABILITIES			
Trade payables	*11*	**17,205**	39,558
Other payables and accruals		**34,621**	22,651
Financial liabilities at fair value through profit or loss		**—**	80
Interest-bearing bank borrowings		**103,015**	99,564
Lease liabilities		**1,229**	979
Tax payable		**7,010**	6,509
Total current liabilities		**163,080**	169,341
NET CURRENT ASSETS		**236,630**	195,922
TOTAL ASSETS LESS CURRENT LIABILITIES		**364,144**	303,741
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**40,247**	48,509
Lease liabilities		**3,297**	3,710
Total non-current liabilities		**43,544**	52,219
Net assets		**320,600**	251,522
EQUITY			
Share capital		**—**	—
Reserves		**320,600**	251,522
Total equity		**320,600**	251,522

Notes to the Financial Statements

For the year ended 31 December 2019

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 March 2020 (the "Listing").

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the manufacture and sale of non-ferrous metal products and the provision of processing services to customers.

The Company and its subsidiaries now comprising the Group underwent a reorganisation (the "Reorganisation") which was completed on 31 August 2017 as set out in the prospectus of the Company dated 26 February 2020 (the "Prospectus").

In the opinion of the Directors, the ultimate and immediate holding company of the Company is Jiawei Resources Holding Limited ("Jiawei Resources Seychelles"), which is incorporated in the Republic of Seychelles ("Seychelles").

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, derivative financial instruments, which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle* are not relevant to the preparation of the Group's consolidated financial statements. The nature and the impact of HK(IFRIC)-Int 23 are described below:

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of non-ferrous metal products and provision of processing services to customers. For the purpose of resource allocation and performance assessment, the Group's management focuses on the operating results of the Group. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) ***Revenue from external customers***

	2019	2018
	RMB'000	*RMB'000*
The People's Republic of China ("PRC")	**537,162**	462,827
The United States	**37,962**	19,995
European countries	**9,131**	19,365
Others	**16,389**	12,531
	600,644	514,718

The revenue information above is based on the locations of the customers.

(b) ***Non-current assets***

	2019	2018
	RMB'000	*RMB'000*
The PRC	**126,195**	106,838
Others	**1,319**	981
	127,514	107,819

The non-current assets information above is based on the locations of the assets.

Information about major customers

Revenue derived from the sale of non-ferrous metal products and provision of processing services to customers which accounted for 10% or more of the Group's revenue for the reporting period, are set out below:

	2019	2018
	RMB'000	*RMB'000*
Customer A	**151,389**	72,990
Customer B	**72,137**	—
Customer C	**—**	139,192
Customer D	**—**	53,697

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of products	**595,805**	504,098
Provision of processing services	**4,839**	10,620
	600,644	514,718

(i) Disaggregated revenue information

	2019	2018
	RMB'000	*RMB'000*
Types of goods or services		
Sale of products	**595,805**	504,098
Provision of processing services	**4,839**	10,620
Total revenue from contracts with customers	**600,644**	514,718
Timing of revenue recognition		
Goods transferred at a point in time	**595,805**	504,098
Services rendered over time	**4,839**	10,620
Total revenue from contracts with customers	**600,644**	514,718

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**1,873**	2,892

(ii) Performance obligations

Sale of products

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Provision of processing services

The performance obligation is satisfied over time in which the services are rendered and payment is generally due within 30 to 90 days from rendering of service, except for new customers, where payment in advance is normally required.

No performance obligations were unsatisfied or partially unsatisfied as at 31 December 2019 (2018: Nil).

	2019	2018
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**908**	414
Government grants*	**6,416**	2,580
Others	**298**	22
	7,622	3,016

* Government grants have been received from the PRC local government authorities to support a subsidiary's research and development activities. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**7,214**	6,161
Interest on lease liabilities	**239**	60
Less: Interest capitalised	**(2,869)**	(3,022)
	4,584	3,199

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**441,640**	349,485
Depreciation of property, plant and equipment	**9,662**	5,263
Depreciation of right-of-use assets	**1,716**	794
Research and development costs	**23,951**	22,705
Auditors' remuneration	**1,322**	1,074
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**32,702**	21,175
Pension scheme contributions	**6,393**	3,734
	39,095	24,909
Listing expenses	**12,129**	4,829
Loss on disposal of items of property, plant and equipment	**264**	319
Write-down of inventories	**42**	651
Fair value loss on derivative financial instruments	**439**	554
Foreign exchange differences, net	**634**	10,506

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil). Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the year (2018: 25%). During the year, Guangdong Zhiyuan New Material Co., Ltd. ("Zhiyuan New Material") was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate at 15% (2018: 15%).

	2019	2018
	RMB'000	*RMB'000*
Current — The PRC		
Charge for the year	**14,289**	13,023
Total tax charge for the year	**14,289**	13,023

8. DIVIDENDS

No dividend has been paid or proposed by the Company during the year (2018: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 225,000,000 (2018: 225,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculations of basic earnings per share are based on:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**69,652**	77,071

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2019 and 2018 have been retrospectively adjusted for the effects of the capitalisation issue which took place after the reporting period.

	Number of shares	
	2019	2018
Shares		
Number of issued shares at 1 January	**10**	10
Effect of capitalisation issue	**224,999,990**	224,999,990
Weighted average number of ordinary shares	**225,000,000**	225,000,000

10. TRADE AND BILLS RECEIVABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade receivables	**101,475**	31,691
Bills receivables	**67,683**	36,993
	169,158	68,684

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within 1 month	**115,757**	47,348
1 to 2 months	**30,251**	1,540
2 to 3 months	**10,087**	2,265
Over 3 months	**13,063**	17,531
	169,158	68,684

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within 1 month	**13,126**	20,251
1 to 2 months	**4,077**	16,679
2 to 3 months	**2**	322
Over 3 months	**—**	2,306
	17,205	39,558

Trade payables are non-interest-bearing and are normally settled on terms of 40 days.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 May 2017. Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the Listing of the Company's shares (the "Shares") on the Main Board of the Stock Exchange, the Company has become the holding company of our Group for the purpose of the Listing and holds the entire interests of three subsidiaries, namely, Xinjia Group Limited, Xite Group Limited and Guangdong Zhiyuan New Material Co. Ltd.* (廣東致遠新材料有限公司). The Company's shares were listed on the Main Board of the Stock Exchange on 12 March 2020.

Details of the group reorganisation are set out in the paragraph headed "Reorganisation" in the section "History, Reorganisation and Corporate Structure" in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND INDUSTRY OVERVIEW

Tantalum and niobium based hydrometallurgical products include tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate. According to the China Insights Consultancy's industry report ("CIC Report"), a summary of which was included in the Prospectus, primarily due to the growing demand from various downstream industries, the production volume for external sales of tantalum pentoxide in China increased from 280.0 tonnes in 2014 to 590.0 tonnes in 2018, representing a CAGR of 20.5%, and is expected to further increase to 851.9 tonnes in 2023, representing a CAGR of 7.6%; the production volume for external sales of niobium pentoxide in China increased from 1,352.0 tonnes in 2014 to 2,250.0 tonnes in 2018 representing a CAGR of 13.6%, and is expected to further increase to 3,248.9 tonnes in 2023, representing a CAGR of 7.6%; the production volume for external sales of potassium heptafluorotantalate in China increased from 458.0 tonnes in 2014 to 850.0 tonnes in 2018, representing a CAGR of 16.7%, and is expected to further increase to 1,109.3 tonnes in 2023, representing a CAGR of 5.5%. According to the CIC Report, mainly due to an expected stable supply of tantalum ores and niobium ores in the upstream industries, the average selling prices for tantalum- and niobium-based hydrometallurgical products in China are expected to drop in 2019.

According to the CIC Report, a number of factors will drive the growth of the PRC market for pentoxide products and potassium heptafluorotantalate: (1) Growing demand from various downstream industries. Given the favourable properties of tantalum and niobium metal such as high melting point, corrosion-resistance, and superconductivity, tantalum- and niobium-based metallurgical products are essential in the downstream manufacture of various products used in high-tech industries, including special alloys, chemical, electronic ceramics, aeronautics, aerospace, high-end electronics, defence and hard alloy. As market size for hard alloy, aviation equipment manufacturing, erosion-resistant equipment industry in China is expected to grow at CAGRs of 8.6%, 28.6%, and 9.8%, respectively, between 2018 and 2023, the demand for tantalum- and niobium-based metallurgical products is anticipated to grow accordingly; (2) Technology upgrade. New advances in tantalum- and niobium-based hydrometallurgical products manufacturing technologies have driven and will continue to drive

* *For identification purposes only*

the development of high-purity tantalum- and niobium-based hydrometallurgical products, while at the same time reduce production costs; and (3) Strengthening stability in raw materials supplies. As tantalum ores and niobium ores are the key raw materials required for the manufacturing of tantalum- and niobium-based hydrometallurgical products and over 85% of the tantalum ores and niobium ores consumed by PRC enterprises are imported from overseas, access to and stable supply of tantalum ores and niobium ores are critical to the timely delivery of products and the expansion of production capacity for enterprises in the PRC tantalum and niobium metallurgy industry. To ensure the stable supply of raw materials, the PRC Government and the manufacturers of tantalum- and niobium-based hydrometallurgical products in the PRC have built good cooperative relationships with, and seek opportunities to invest in, suppliers of tantalum ores and niobium ores, which in turn will drive the growth of the PRC tantalum and niobium metallurgy industry.

BUSINESS REVIEW

In 2019, there were a lot of uncertainties in the development of world economy. Sino-US trade war was ongoing, and the structural adjustment pace for Chinese economy speeded up. The price of tantalum and niobium based metallurgical products showed a declining trend. Despite the severe external operating environment, with the effort of all our staff, the Company managed to achieve a satisfactory operating result.

Production: Output of single-month tantalum and niobium based metallurgical products achieved record high of over 150 tonnes. As the production cost was optimized, the total consumption of various auxiliary materials decreased year-on-year. The improved product quality resulted in nearly 98% of one-time passing rate for products. Safety production and environmental protection measures were in place to strictly implement all requirements on national production safety and environmental protection. No significant safety and environmental protection accidents occurred throughout the year. During the Year Under Review, the output of niobium pentoxide, tantalum pentoxide and potassium heptafluorotantalate amounted to 944.4 tonnes, 176.6 tonnes and 100.9 tonnes, representing a year-on-year increase of 19.3%, 49.0% and a decrease of 49.4%, respectively.

Marketing: The results of the development of new customers and new products were significant. The sales of electronic grade tantalum and niobium based metallurgical products increased by 98.9% year-on-year. Customized niobium pentoxide products (such as target material grade niobium pentoxide and spherical niobium pentoxide) achieved scale sales. During the Year Under Review, the sales volume of niobium pentoxide, tantalum pentoxide and potassium heptafluorotantalate amounted to 1,072.4 tonnes, 194.8 tonnes and 83.5 tonnes, representing a year-on-year increase of 42.7%, 138.7% and a decrease of 47.5%, respectively.

Revenue: In 2019, the Company recorded a revenue amounted to approximately RMB600.6 million, representing an increase of approximately RMB85.9 million as compared to that of the previous year and a year-on-year increase of 16.7%. In 2019, the Company's revenue increase is mainly due to the significant growth of revenue from the tantalum pentoxide and niobium pentoxide products. The sales revenue of tantalum pentoxide increased by approximately RMB93.4 million as compared to that of the previous year, representing a year-on-year increase of 77.0%, while the sales revenue of niobium pentoxide increased by approximately RMB31.3 million as compared to that of the previous year, representing a year-on-year increase of 18.1%. However, the revenue generated from the sales of potassium heptafluorotantalate and provision of processing services decreased by approximately RMB85.0 million and approximately RMB5.8 million, respectively, as compared to that of the previous year.

Profit: For the year ended 31 December 2019, the Company recorded a profit of approximately RMB69.7 million, representing a decrease of approximately RMB7.4 million as compared to that of the previous year, which is mainly due to the effect of that the listing fee in 2019 increased by approximately RMB7.3 million as compared to that of the previous year.

Research and development: In 2019, the Company obtained 2 authorised patents and 5 patents applications accepted, and received technological support funding of over approximately RMB10.0 million from the government, which is a historical high record. The production process and application belonged to the new extraction skill which reached the advanced level in the industry. It effectively reduced the sulfate in the niobium liquid, which facilitated a good separation between tantalum and niobium, such that a level of 20ppm of tantalum in niobium and niobium in tantalum was realised. It also achieved a significant decrease on consumption of auxiliary materials, which favoured the resource treatment of alkaline wastewater, whereby reducing the production cost and alleviating the pressure from environmental protection. With the successful implementation of washing water recycling project, the washing water recycling rate reached 75%, which signifies that the Company became the first manufacturer in the industry to utilise such technology. In addition, the reformation on production technology has also made big progress. The production technology of high purity niobium pentoxide for lithium battery materials, the production technology for industrial spherical niobium pentoxide, as well as the organic technology for optimisation of extraction and refinement, the extraction pickling process, and the technology of utilisation of fluoride salt original solution instead of sulphuric acid for the treatment system of integrated recovery workshop exhaust gas have been developed.

FINANCIAL REVIEW

Revenue

Our revenue comprised revenue generated from sale of products and the provision of processing services. The following table sets forth our total revenue by source for the years indicated:

	For the year ended 31 December			
	2019		2018	
	RMB'000	%	*RMB'000*	%
Sales of products	**595,805**	**99.2%**	504,098	97.9%
Provision of processing services	**4,839**	**0.8%**	10,620	2.1%
Total revenue	**600,644**	**100.0%**	514,718	100.0%

The following table sets forth the breakdown of our revenue by product categories for the years indicated:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Sales of products				
Pentoxide products	**485,522**	**80.8%**	350,050	68.0%
Tantalum pentoxide				
— Industrial grade tantalum pentoxide	**214,734**	**35.8%**	121,313	23.6%
— High-purity tantalum pentoxide	**8,216**	**1.4%**	10,098	2.0%
Niobium pentoxide				
— Industrial grade niobium pentoxide	**203,923**	**34.0%**	172,652	33.5%
— High-purity niobium pentoxide	**58,649**	**9.8%**	45,987	8.9%
Potassium heptafluorotantalate	**50,726**	**8.4%**	135,732	26.4%
Recycled products	**17,191**	**2.9%**	3,697	0.7%
Others	**47,205**	**7.9%**	25,239	4.9%
Total revenue	**600,644**	**100.0%**	514,718	100.0%

During the two years ended 31 December 2019 and 2018, our products sold included: (i) pentoxide products; (ii) potassium heptafluorotantalate; (iii) recycled products; and (iv) others. Out of the products we sold, pentoxide products accounted for approximately 80.8% and 68.0% of our total revenue for the two years ended 31 December 2019 and 2018, respectively.

Our revenue increased by approximately RMB85.9 million or 16.7% from approximately RMB514.7 million for the year ended 31 December 2018 to approximately RMB600.6 million for the Year Under Review. The increase was mainly due to the increase in revenue generated from sale of products of tantalum pentoxide and niobium pentoxide, offset by the decrease in revenue generated from sale of products of potassium heptafluorotantalate and the provision of processing services.

Pentoxide Products

For the Year Under Review, our revenue generated from sale of pentoxide products amounted to approximately RMB485.5 million, representing an increase of approximately RMB135.5 million or 38.7% from approximately RMB350.0 million for the year ended 31 December 2018. Such increase was driven by the increase in revenue from sale of both tantalum pentoxide and niobium pentoxide.

Potassium Heptafluorotantalate

For the Year Under Review, our revenue generated from sale of potassium heptafluorotantalate amounted to approximately RMB50.7 million, representing a significant decrease of approximately RMB85.0 million or 62.6% from approximately RMB135.7 million for the year ended 31 December 2018. Such decrease was mainly due to the significant decrease in sales volume and the decrease in average selling price.

Recycled Products

During the Year Under Review, our recycled products sold mainly included three types of products produced by recycling our waste materials, namely tin hydroxide, potassium fluorosilicate and tungsten acid. The increase in revenue generated from sale of recycled products from the year ended 31 December 2018 of approximately RMB3.7 million to the Year Under Review of approximately RMB17.2 million was primarily because we mainly sold tin hydroxide, potassium fluorosilicate and tungsten acid for the Year Under Review while we only sold potassium fluorosilicate for the year ended 31 December 2018.

Others

For the two years ended 31 December 2019 and 2018, we sold ferro niobium tantalum alloy, which is a kind of impurity included in our raw materials. Considering its higher impurity, we resold ferro niobium tantalum alloy to utilise our inventories. For the Year under Review, our revenue generated from sale of others amounted to approximately RMB47.2 million, representing an increase of approximately RMB22.0 million or 87.0% from approximately RMB25.2 million for the year ended 31 December 2018.

Provision of Processing Services

During the Year Under Review, we provided processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate. For the Year Under Review, our revenue generated from the provision of processing services amounted to approximately RMB4.8 million, representing a decrease of approximately RMB5.8 million or 54.4% from approximately RMB10.6 million for the year ended 31 December 2018. The decrease in revenue from the provision of processing services was mainly because we allocated our production capacity to focus more on production for sale of products than for provision of processing services in view of the higher average selling price for sale of products than that for provision of processing services.

Cost of sales

Cost of sales represented the direct costs of production, which comprised raw materials costs, factory overheads, electricity and fuels costs, labour costs and processing fee in respect of our processed products. For the two years ended 31 December 2019 and 2018, our cost of sales amounted to approximately RMB441.6 million and RMB349.5 million, respectively. The following table sets forth the breakdown of our cost of sales for the years indicated:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Raw materials	**400,257**	**90.6%**	322,688	92.3%
Factory overheads	**19,198**	**4.4%**	11,468	3.3%
Electricity and fuels	**8,979**	**2.0%**	6,989	2.0%
Labour *(Note)*	**8,084**	**1.8%**	6,335	1.8%
Processing fee	**5,122**	**1.2%**	2,005	0.6%
Total cost of sales	**441,640**	**100.0%**	349,485	100.0%

Note: Labour costs mainly included salaries and benefits for our production personnel.

Our raw materials costs mainly represented the cost for purchasing tantalum ores and niobium ores, and accounted for approximately 90.6% and 92.3% of our total cost of sales for the Year Under Review and the year ended 31 December 2018, respectively. Our cost of sales increased by approximately RMB92.1 million or 26.4% from approximately RMB349.5 million for the year ended 31 December 2018 to approximately RMB441.6 million for the Year Under Review. Such increase was mainly attributable to the increase in purchase volume of raw materials which was in line with the increase in our total production volume and total sales volume.

Gross profit and gross profit margin

The following table sets forth the gross profit and gross profit margin by source of revenue for the years indicated:

	For the year ended 31 December			
	2019		2018	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*
Sales of products	**157,159**	**26.4%**	160,171	31.8%
Provision of processing services	**1,845**	**38.1%**	5,062	47.7%
Total gross profit/overall gross profit margin	**159,004**	**26.5%**	165,233	32.1%

Our gross profit decreased by approximately RMB6.2 million or 3.8% from approximately RMB165.2 million for the year ended 31 December 2018 to approximately RMB159.0 million for the Year Under Review, mainly driven by the increase in our cost of sales.

Our gross profit margin decreased from approximately 32.1% for the year ended 31 December 2018 to approximately 26.5% for the Year Under Review. Such decrease during the Year Under Review was mainly to (i) the decrease in our average selling price of pentoxide products and potassium heptafluorotantalate; and (ii) the utilisation of our inventories as at 31 December 2018 which was purchased when the market price of our raw material was higher.

Other income and gains

The following table sets forth the breakdown of our other income and gains for the years indicated:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Government grants	**6,416**	**84.2%**	2,580	85.6%
Bank interest income	**908**	**11.9%**	414	13.7%
Others	**298**	**3.9%**	22	0.7%
Total other income and gains	**7,622**	**100.0%**	3,016	100.0%

Our other income and gains primarily comprised government subsidies, bank interest income and others. We received government grants from local government authorities for engaging in research and development activities. Subsidies vary from year to year.

Our other income and gains increased by approximately RMB4.6 million from approximately RMB3.0 million for the year ended 31 December 2018 to approximately RMB7.6 million for the Year Under Review. Such increase was mainly attributable to the increase in government grants of approximately RMB3.8 million from approximately RMB2.6 million for the year ended 31 December 2018 to approximately RMB6.4 million for the Year Under Review.

Selling and distribution expenses

Our selling and distribution expenses primarily comprised expenses for transportation and packaging for delivery of products, salaries and benefits for personnel of our sales and procurement department and travelling and entertainment expenses. The table below sets forth the breakdown of our selling and distribution expenses for the years indicated:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Distribution costs	**2,573**	**35.7%**	2,199	38.7%
Staff costs	**3,294**	**45.8%**	2,632	46.3%
Travelling and entertainment expenses	**691**	**9.6%**	627	11.0%
Advertising and promotion expenses	**114**	**1.6%**	—	—%
Office expenses	**113**	**1.6%**	131	2.3%
Others	**408**	**5.7%**	99	1.7%
Total selling and distribution expenses	**7,193**	**100.0%**	5,688	100.0%

Our selling and distribution expenses increased by approximately RMB1.5 million from approximately RMB5.7 million for the year ended 31 December 2018 to approximately RMB7.2 million for the Year Under Review. Such increase was mainly attributable to the increase in distribution costs of approximately RMB0.4 million from approximately RMB2.2 million for the year ended 31 December 2018 to approximately RMB2.6 million for the Year Under Review. Our increase in distribution costs was generally in line with the increase in our sale of products. Besides, staff costs increased by RMB0.7 million from the year ended 31 December 2018 of approximately RMB2.6 million to approximately RMB3.3 million for the Year Under Review.

Administrative expenses

Our administrative expenses primarily comprised expenses for research and development expenses, staff costs of our administrative and management staff and listing expenses. The table below sets forth the breakdown of our administrative expenses for the years indicated:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Research and development expenses	**23,951**	**42.2%**	22,705	43.6%
Staff costs	**14,724**	**25.9%**	14,897	28.6%
Other tax expenses	**2,635**	**4.7%**	2,061	4.0%
Legal advisory and professional fees	**2,378**	**4.2%**	377	0.7%
Depreciation and amortisation	**3,710**	**6.5%**	1,749	3.4%
Travelling and entertainment expenses	**1,706**	**3.0%**	804	1.5%
Bank charges	**702**	**1.2%**	1,893	3.6%
Others *(Note)*	**6,971**	**12.3%**	7,585	14.6%
Total administrative expenses	**56,777**	**100.0%**	52,071	100.0%

Note: Others primarily mainly comprised audit fees, insurance, office expenses, motor vehicle expenses maintenance fee and handling charges.

Our research and development expenses amounted to approximately RMB24.0 million and RMB22.7 million for the Year Under Review and the year ended 31 December 2018, respectively. Such expenses were primarily used to improve the purity level of tantalum pentoxide and niobium pentoxide, develop niobium pentoxide with different physical properties to be applied in different industries, and enhance our capabilities in recycling waste materials for environmental protection.

Our administrative expenses increased by approximately RMB4.7 million from approximately RMB52.1 million for the year ended 31 December 2018 to approximately RMB56.8 million for the Year Under Review. Such increase was mainly attributable to (i) the increase in research and development expenses of approximately RMB1.2 million from approximately RMB22.7 million for the year ended 31 December 2018 to approximately RMB23.9 million for the Year Under Review; and (ii) the increase in legal advisory and professional fees of approximately RMB2.0 million from approximately RMB0.4 million for the year ended 31 December 2018 to approximately RMB2.4 million for the Year Under Review.

Other expenses

Our other expenses mainly comprised loss arising from changes in the fair value of derivative financial instruments and foreign exchange loss. Our other expenses decreased by approximately RMB10.4 million from approximately RMB12.4 million for the year ended 31 December 2018 to approximately

RMB2.0 million for the Year Under Review. Such decrease was mainly attributable to the foreign exchange loss of approximately RMB10.5 million recognised for the year ended 31 December 2018 arising from settlement of USD.

Finance costs

Our finance costs mainly represented interest on interest-bearing bank borrowings. The following table sets forth the breakdown of our finance costs for the years indicated:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance costs on interest-bearing bank borrowings	**7,214**	6,161
Interest on lease liabilities	**239**	60
Less: interest capitalised	**(2,869)**	(3,022)
Total net finance costs	**4,584**	3,199

Our finance costs on interest-bearing bank borrowings before capitalisation for the Year Under Review and the year ended 31 December 2018 amounted to approximately RMB7.2 million and RMB6.2 million, respectively. For the Year Under Review and the year ended 31 December 2018, we capitalised interest of approximately RMB2.9 million and RMB3.0 million, respectively, in respect of the interest that was directly attributable to the construction of our production facilities. As a result, our net finance costs charged to the consolidated statements of profit or loss amounted to approximately RMB4.6 million and RMB3.2 million, respectively.

Income tax expense

Our Group was accredited as a high and new technology enterprise (高新技術企業) and allowing us to enjoy a lower applicable tax rate of 15%, as compared to 25% pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法). In addition, we enjoyed tax refund at the rate of 9% for our export sales of tantalum bars.

Our income tax expense for the Year Under Review and the year ended 31 December 2018 amounted to approximately RMB14.3 million and RMB13.0 million, respectively. Our effective tax rate for the Year Under Review and the year ended 31 December 2018 was approximately 17.1% and 14.5%, respectively. The increase in our effective tax rate was mainly due to increase in expense not deductible for tax. The details are set out in Note 7 to the consolidated financial statements above in this announcement.

Profit for the year

As a result of the foregoing, we recorded net profit for the Year Under Review and the year ended 31 December 2018 of approximately RMB69.7 million and RMB77.1 million, respectively, representing a decrease of approximately RMB7.4 million. Our net profit margin was approximately 11.6% and 15.0% for Year Under Review and the year ended 31 December 2018, respectively.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

Property, plant and equipment

Our property, plant and equipment comprised (i) buildings; (ii) plant and machinery; (iii) office equipment; (iv) motor vehicles; and (v) construction in progress.

The carrying amount of our property, plant and equipment increased by approximately RMB16.0 million from approximately RMB73.5 million as at 31 December 2018 to approximately RMB89.5 million as at 31 December 2019. Such increase was mainly driven by (i) the increase in construction in progress; and (ii) the increase in plant and machinery transferred from construction in progress in respect of our new production facilities.

Inventories

Our inventories comprised raw materials, work in progress and finished goods. The following table sets forth the breakdown of our inventories as at balance sheet dates indicated:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Raw materials	**81,053**	68,979
Work in progress	**23,345**	37,151
Finished goods	**25,481**	56,592
Total inventories	**129,879**	162,722
Average inventories *(Note 1)*	**146,301**	119,198
Average inventories to revenue from sale of products *(Note 2)*	**24.4%**	23.6%

Notes:

(1) Represents the average of inventories as at 31 December of the previous year and 31 December of the current year.

(2) Represents the average of inventories divided by the revenue generated from sale of products for the relevant year.

Our inventories amounted to approximately RMB129.9 million and RMB162.7 million as at 31 December 2019 and 2018, respectively. Our average inventories increased from approximately RMB119.2 million as at 31 December 2018 to approximately RMB146.3 million as at 31 December 2019, which was in line with the growth of our revenue. Our average inventories to revenue from sale of products was approximately 24.4% and 23.6% for the year ended 31 December 2019 and 2018, respectively.

The following table sets forth the average inventory turnover days for the years indicated:

	For the year ended 31 December	
	2019	2018
	(Days)	*(Days)*
Average inventory turnover days *(Note)*	**121.0**	124.5

Note: Average inventory turnover days equal to average inventories divided by cost of sales for the year and multiplied by 365. Average inventories are calculated as inventories at the beginning of the year plus inventories at the end of the year, divided by two.

Our average inventory turnover days decreased from approximately 124.5 days for the year ended 31 December 2018 to 121.0 days for the Year Under Review. The decrease was mainly due to the decrease of our inventories as at 31 December 2019.

Trade and bills receivables

Our trade and bills receivables primarily represented the credit sales of our products to be paid by customers and bank acceptance bills received from our customers during the Year Under Review. The following table sets forth the breakdown of our trade and bills receivables as at balance sheet dates indicated:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**101,475**	31,691
Bills receivables	**67,683**	36,993
Total trade and bills receivables	**169,158**	68,684
Average trade and bills receivables *(Note 1)*	**118,921**	69,960
Average trade and bills receivables to total revenue *(Note 2)*	**19.8%**	13.6%

Notes:

(1) Represents the average of trade and bills receivables as at 31 December of the previous year and 31 December of the current year.

(2) Represents the average of trade and bills receivables divided by total revenue for the relevant year.

Our trade and bills receivables increased from approximately RMB68.7 million as at 31 December 2018 to approximately RMB169.2 million as at 31 December 2019. Such increase was mainly due to the increase of our revenue.

We generally grant a credit term of one month, extending up to three months, to our customers. We seek to maintain strict control over our outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by our senior management.

The following is an ageing analysis of trade and bills receivables as at balance sheet dates indicated, based on the invoice date:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**115,757**	47,348
31 days to 60 days	**30,251**	1,540
61 days to 90 days	**10,087**	2,265
Over 90 days	**13,063**	17,531
Total trade and bills receivables	**169,158**	68,684

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As at 31 December 2019, the expected credit loss rate for our Group's trade and bills receivables is minimal for all the above bands of trade and bills receivables. The following table sets forth the average turnover days of our trade and bills receivables for the years indicated:

	For the year ended 31 December	
	2019	2018
	(Days)	*(Days)*
Average turnover days of trade and bills receivables *(Note)*	**72.3**	49.6

Note: Average turnover days of trade and bills receivables equal average trade and bills receivables divided by revenue for the year and multiplied by 365. Average trade and bills receivables are calculated as trade and bills receivables at the beginning of the year plus trade and bills receivables at the end of the year, divided by two.

Our average turnover days of trade and bills receivables increased from 49.6 days for the year ended 31 December 2018 to 72.3 days for the Year Under Review. The increase was mainly due to the increase of our trade and bills receivables as at 31 December 2019.

Trade payables

Our trade payables decreased significantly from approximately RMB39.6 million as at 31 December 2018 to approximately RMB17.2 million as at 31 December 2019 mainly due to settlement and decrease in purchase during the Year Under Review as we consumed our inventories carried forward from as at 31 December 2018. The following is an ageing analysis of trade payables, based on the invoice date, as at balance sheet dates indicated:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**13,126**	20,251
31 days to 60 days	**4,077**	16,679
61 days to 90 days	**2**	322
Over 90 days	**—**	2,306
Total trade payables	**17,205**	39,558

Our trade payables were non-interest-bearing and normally settled with terms of 60 days. The following table sets forth the average turnover days of our trade payables for the years indicated:

	For the year ended 31 December	
	2019	2018
	(Days)	*(Days)*
Average turnover days of trade payables *(Note)*	**23.5**	31.3

Note: Average turnover days of trade payables equal average trade payables divided by cost of sales for the year and multiplied by 365. Average trade payables are calculated as trade payables at the beginning of the year plus trade payables at the end of the year, divided by two.

Our average turnover days of trade payables decreased from approximately 31.3 days for the year ended 31 December 2018 to 23.5 days for the Year Under Review, mainly because the decrease in our purchase.

Bank borrowings

Bank borrowings were our principal component of our total liabilities, constituting approximately 72.0% and 66.8% of our total liabilities as at 31 December 2019 and 31 December 2018, respectively. The following table sets forth the breakdown of our bank borrowings by current and non-current classification as at balance sheet dates indicated:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Non-current	**40,247**	48,509
Current	**103,015**	99,564
Total bank borrowings	**143,262**	148,073

During the Year Under Review, our bank borrowings included secured and unsecured bank borrowings. The following table sets forth the breakdown of our bank borrowings by secured and unsecured bank borrowings as at the dates indicated:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Secured	**48,497**	55,300
Unsecured	**94,765**	92,773
Total bank borrowings	**143,262**	148,073

As at 31 December 2019 and 31 December 2018, our bank borrowings were secured by the pledge of certain of our Group's leasehold land with an aggregate carrying amount of approximately RMB9.5 million and RMB9.7 million, respectively.

Our total bank borrowings decreased from approximately RMB148.1 million as at 31 December 2018 to approximately RMB143.3 million as at 31 December 2019. Such decrease was mainly due to our repayment.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

During the Year Under Review, we financed our operations by cash generated from operating activities and bank borrowings. As at 31 December 2019, we had cash and cash equivalents of approximately RMB58.5 million (2018: approximately 99.2 million). In the future, we intend to finance our operations by cash generated from operating activities, bank borrowings and proceeds from the Listing.

Taking into account the financial resources available to us, including our existing cash and cash equivalents, availability of bank facilities, estimated net proceeds from the global offering and cash flows from our operations, our Directors are of the view that, after due and careful inquiry, we have sufficient working capital for at least the next 12 months commencing from the date of this announcement.

CAPITAL STRUCTURE

Indebtedness

The total indebtedness of the Group as at 31 December 2019 was approximately RMB143.3 million (2018: approximately RMB148.1 million). During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

As at 31 December 2019, the Group's gearing ratio was approximately 46.1% (2018: 60.7%), calculated as the total borrowings and lease liabilities divided by total equity multiplied by 100%. The decrease was mainly due to a decrease in bank borrowings.

Pledge of assets

As at 31 December 2019 and 31 December 2018, our bank borrowings were secured by the pledge of certain of our Group's leasehold land with an aggregate carrying amount of approximately RMB9.5 million and RMB9.7 million, respectively.

Capital expenditures

Our capital expenditures primarily comprised expenditures for purchases of property, plant and equipment. Our capital expenditures amounted to approximately RMB25.9 million and RMB31.0 million for the Year Under Review and the year ended 31 December 2018, respectively.

Our current plan with respect to future capital expenditures is subject to changes based on the evolution of our business plan, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2019, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings (2018: Nil).

CAPITAL COMMITMENT

As at 31 December 2019, the Group had capital commitment of approximately RMB5.1 million (as at 31 December 2018: approximately RMB10.1 million).

SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of metallurgical products and provision of processing services to customers. For the purpose of resource allocation and performance assessment, the Group's management focuses on the operating results of the Group. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2019, the Group had not made any material acquisition or disposal.

SIGNIFICANT INVESTMENTS

The Company had not held any significant investments during the year ended 31 December 2019.

FUTURE OUTLOOK

Looking forward, we remain true to where we started. We strive to pursue the vision of "creating the world's leading manufacturer of tantalum and niobium based products". We would not stop from there. The development of global tantalum and niobium market is expected to experience growth, mainly evidenced by:

1. **Industrial upgrade**

   Industrial integration will be accelerated, such that industry participants will continuously upgrade manufacturing technologies, improve production efficiency, reduce production costs and develop new products.

2. **Increasing demand for high-purity products**

   The rapid development of high-end electronics industry and super-conducting materials industry among downstream industries will drive the growth demand for the high-purity products.

3. **Downstream application areas continue to expand**

   As the downstream application areas continue to expand, various new materials will be successfully developed on the basis of tantalum and niobium based metallurgical products as raw materials, which will facilitate the growth demand for tantalum and niobium based metallurgical products.

To better capture the opportunities from the industry development and explore new business growth points, on the basis of further consolidating the Company's leading position in tantalum and niobium based hydrometallurgy, we will increase the investment in aspects such as industrial chain expansion, research and development of new technologies and new products, and global strategies, in an attempt to bringing satisfactory returns to our Shareholders.

At first, we will commence building a tantalum powder production line with an annual capacity of 100 tonnes in 2020 to meet the growing demand from downstream customers for tantalum powder and tantalum bar products. Secondly, we will speed up the pace in the research and development of new technologies and new products, and starting to study the subjects on high purity tantalum powder used in semiconductor coating target materials, and production technology of niobium pentoxide used in lithium battery materials. In addition, in order to better develop the overseas market and raw material sourcing channels, we will set up an office in the United Kingdom to increase the sales efforts in the European market. Meanwhile, we also plan to cooperate with different agents in Europe, and participate in relevant exhibitions to enhance the communication with customers.

In order to further ensure the supply of raw materials, we will set up an office in Brazil, one of the major tantalum and niobium sources in the world, to strengthen cooperation with the local small to medium mining companies or suppliers.

HUMAN RESOURCES AND TRAINING

We believe that our long-term growth depends on the expertise and experience of our employees. We primarily recruit our personnel through campus recruiting, career fairs, recruitment websites and internal recommendation. We provide regular training programs to our employees, including, among others, introductory training, safety training and technical training, to enhance their skill and knowledge. As at 31 December 2019, the Group had a total of 220 employees, total staff cost for the Year Under Review amounted to RMB39.1 million (2018: approximately RMB24.9 million).

The salaries of our employees depend mainly on their position, nature of work and results of their annual performance evaluation. For employees of our PRC subsidiary, we made contributions to social insurance funds, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident funds for our employees in accordance with applicable PRC laws and regulations. We have established a labour union that aims to protect our employees' legal rights, assist us in attaining our economic objectives and encourage employees to participate in management decisions.

DIVIDENDS

The Board did not recommend the payment of any final dividends for the year ended 31 December 2019 (2018: Nil).

CLOSURE OF THE REGISTER OF MEMBERS OF SHARES

To be eligible to attend and vote in the forthcoming annual general meeting

For the purposes of determining the shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on Friday, 29 May 2020, the register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all Share transfer documents must be lodged with Computershare Hong Kong Investor Services Limited, the Company's share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on Monday, 25 May 2020.

ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 12 March 2020. Net proceeds from the placing of the shares were approximately RMB109.5 million (equivalent to approximately Hong Kong dollars ("HK$") 124.6 million), after deduction of the underwriting commission and relevant expenses. As the Company was listed on the main board of the Stock Exchange on 12 March 2020, as at 31 December 2019 there was no proceeds from the Listing. After the Listing, the Company intends to apply such net proceeds in accordance with the uses as set out in the section headed "Future plans and use of proceeds" in the Prospectus.

GOING CONCERN

Based on the current financial position and the available financing facilities, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the consolidated financial statements were prepared on a "going concern" basis.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, upon the Listing on the Main Board of the Stock Exchange on 12 March 2020 and up to the date of this announcement, at least 25% of the issued shares of the Company was held by public shareholders as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Upon the Listing on the Main Board of the Stock Exchange on 12 March 2020 and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

As at the end of the reporting period, the shares of the Company were not yet listed on the Main Board of the Stock exchange as the shares of the Company were listed on 12 March 2020 (the "Listing Date"). The code provisions were not applicable to the Company during the Year under Review. Throughout the period since the Listing Date and up to the date of this report, the Company has complied with the code provisions, other than code provisions A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Wu Lijue is our chairman and also the chief executive officer of our Company and he has been managing our Group's business and supervising the overall operations of our Group since its establishment. Having considered (i) the nature and extent of our Group's operations; (ii) Mr. Wu's in-depth knowledge and experience in the tantalum and niobium metallurgy industry and familiarity with the operations of our Group which is beneficial to the management and business development of our Group; and (iii) all major decisions are made in consultation with members of our Board and relevant Board committees, which consist of three independent non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Wu taking up both roles. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code governing securities transactions of the Directors. As the shares of the Company were not yet listed on the Main Board of the Stock exchange until 12 March 2020, the Model Code was not applicable to the Company during the Year under Review. However, specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

We have established an audit committee on 19 February 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules.

Our audit committee has three members, namely Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Mr. Yin Fusheng, all of whom are our independent non-executive Directors. Mr. Lau Kwok Fai Patrick, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the audit committee.

The primary responsibilities of our audit committee include, among others, (i) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of our Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by our Board; (iii) developing and reviewing our policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; and (iv) developing, reviewing and monitoring the code of conduct applicable to our employees and Directors.

No meeting was held by the Audit Committee during the year ended 31 December 2019 because the Company only became listed on the Main Board of the Stock Exchange on 12 March 2020. Pursuant to the meeting of the Audit Committee held on 28 March 2020 attended by all the members of the Audit Committee, the Audit Committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2019, this results announcement, the 2019 annual report and accounting principles and practices adopted for the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group.

EVENTS AFTER THE REPORTING PERIOD

(a) The Company was listed on the Main Board of the Stock Exchange on 12 March 2020. Based on the issue price of HK$2.23 per share, the net proceeds with share offer after deduction of the underwriting commissions and fees and other related expenses were approximately HK$124.6 million (equivalent to approximately RMB109.5 million converted at the rate of HK$1.14 to RMB1.00 on 12 March 2020).

(b) The outbreak of coronavirus disease 2019 ("COVID-19") since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this results announcement. However, the actual impact may differ from these estimates as the situation continues to evolve as further information become available.

SCOPE OF WORK OF ERNST AND YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst and Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst and Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

DISCLOSURE OF INFORMATION

The annual results announcement for the year ended 31 December 2019 is published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.zhiyuanm.com). The annual report for 2019 containing all necessary information as required by the Listing Rules will be sent to shareholders of the Company in due course, and will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.zhiyuanm.com) under "Investor Relations".

By order of the Board
Ximei Resources Holding Limited
Wu Lijue
Chairman and executive Director

Hong Kong, 28 March 2020

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Wu Lijue, Ms. Wu Shandan; one non-executive Director, namely Mr. Zeng Min; and three independent non-executive Directors, namely Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Mr. Yin Fusheng.