XIMEI RESOURCES HOLDING LIMITED

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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9936)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS HIGHLIGHTS

- Revenue increased by 0.2% to approximately RMB601.7 million (2019: RMB600.6 million).
- Gross profit increased by 8.6% to approximately RMB172.7 million (2019: RMB159.0 million).
- Gross profit margin increased by 2.2% points to 28.7% (2019: 26.5%).
- Profit before taxation increased by 3.9% to approximately RMB87.2 million (2019: RMB83.9 million).
- Profit for the year increased by 0.9% to approximately RMB70.3 million (2019: RMB69.7 million).
- Basic earnings per share decreased by 19.4% to approximately RMB0.25 (2019: RMB0.31).
- The Board did not recommend the payment of any final dividends for the year ended 31 December 2020 (2019: 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 2020 (the "**Year Under Review**") and selected explanatory notes, together with the comparative figures of the corresponding year in 2019 as follows:

Consolidated Statement of Profit or Loss
Year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
REVENUE	*4*	**601,652**	600,644
Cost of sales		**(429,002)**	(441,640)
Gross profit		**172,650**	159,004
Other income and gains, net	*4*	**27,573**	7,622
Selling and distribution expenses		**(8,392)**	(7,193)
Administrative expenses		**(72,691)**	(56,777)
Listing expenses		**(11,468)**	(12,129)
Other expenses		**(12,486)**	(2,002)
Finance costs	*5*	**(8,022)**	(4,584)
PROFIT BEFORE TAX	*6*	**87,164**	83,941
Income tax expense	*7*	**(16,855)**	(14,289)
PROFIT FOR THE YEAR		**70,309**	69,652
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (in RMB)	*9*	**0.25**	0.31

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**70,309**	69,652
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**131**	(319)
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	**(666)**	(255)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(535)**	(574)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**69,774**	69,078

Consolidated Statement of Financial Position
31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**95,557**	89,530
Right-of-use assets		**24,342**	26,017
Prepayments		**13,318**	11,967
Total non-current assets		**133,217**	127,514
CURRENT ASSETS			
Inventories		**269,158**	129,879
Trade and bills receivables	*10*	**150,469**	169,158
Prepayments, deposits and other receivables		**114,438**	42,198
Cash and cash equivalents		**186,378**	58,475
Total current assets		**720,443**	399,710
CURRENT LIABILITIES			
Trade payables	*11*	**6,321**	17,205
Other payables and accruals		**46,110**	34,621
Interest-bearing bank borrowings		**236,144**	103,015
Lease liabilities		**1,213**	1,229
Tax payable		**10,370**	7,010
Total current liabilities		**300,158**	163,080
NET CURRENT ASSETS		**420,285**	236,630
TOTAL ASSETS LESS CURRENT LIABILITIES		**553,502**	364,144
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**29,786**	40,247
Lease liabilities		**1,954**	3,297
Total non-current liabilities		**31,740**	43,544
Net assets		**521,762**	320,600
EQUITY			
Share capital		**2,712**	—
Reserves		**519,050**	320,600
Total equity		**521,762**	320,600

Notes to the Consolidated Financial Statements

31 December 2020

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.

In the opinion of the Directors, the immediate and ultimate 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. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") and the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework and the revised HKFRSs are described below:

(a) The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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***

	2020	2019
	RMB'000	*RMB'000*
The PRC	**525,426**	537,162
The United States	**42,548**	37,962
European countries	**22,187**	9,131
Others	**11,491**	16,389
	601,652	600,644

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

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

	2020	2019
	RMB'000	*RMB'000*
The PRC	**132,537**	126,195
Others	**680**	1,319
	133,217	127,514

The non-current asset 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:

	2020	2019
	RMB'000	*RMB'000*
Customer A	**176,203**	151,389
Customer B	**—**	72,137
Customer C	**89,091**	56,958

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of products	**595,857**	595,805
Provision of processing services	**5,795**	4,839
	601,652	600,644

(i) Disaggregated revenue information

	2020	2019
	RMB'000	*RMB'000*
Types of goods or services		
Sale of products	**595,857**	595,805
Provision of processing services	**5,795**	4,839
Total revenue from contracts with customers	**601,652**	600,644
Timing of revenue recognition		
Goods transferred at a point in time	**595,857**	595,805
Services rendered over time	**5,795**	4,839
Total revenue from contracts with customers	**601,652**	600,644

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:

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**1,239**	1,873

(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 services, except for new customers, where payment in advance is normally required.

No performance obligations were unsatisfied or partially unsatisfied as at 31 December 2020 (2019: Nil).

	2020	2019
	RMB'000	*RMB'000*
Other income and gains, net		
Bank interest income	**1,268**	908
Government grants*	**14,616**	6,416
Foreign exchange differences, net	**10,985**	—
Others	**704**	298
	27,573	7,622

* 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:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**10,272**	7,214
Interest on lease liabilities	**189**	239
Less: Interest capitalised	**(2,439)**	(2,869)
	8,022	4,584

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**429,002**	441,640
Depreciation of property, plant and equipment	**12,270**	9,662
Depreciation of right-of-use assets	**1,793**	1,716
Research and development costs	**24,005**	23,951
Auditors' remuneration	**1,636**	1,322
Employee benefit expense (including directors' and chief executive's remuneration *(note 10)*):		
Wages and salaries	**37,035**	32,702
Pension scheme contributions	**4,814**	6,393
	41,849	39,095
Loss on disposal of items of property, plant and equipment	**363**	264
Impairment of trade receivables	**6,925**	—
Write-down of inventories to net realisable value	**4,852**	42
Fair value loss on derivative financial instruments	**—**	439
Foreign exchange differences, net	**(10,985)**	634

7. INCOME TAX

During the year, Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong for the Hong Kong subsidiary of the Group, which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No provision for Hong Kong profits tax has been made during the year ended 31 December 2019 as the Group did not generate any assessable profits arising in Hong Kong.

Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the year (2019: 25%). During the year, Ximei Resources (Guangdong) Limited was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate at 15% (2019: 15%).

	2020	2019
	RMB'000	*RMB'000*
Current — Hong Kong		
Charge for the year	**3,662**	—
Current — The PRC		
Charge for the year	**13,193**	14,289
Total tax charge for the year	**16,855**	14,289

8. DIVIDENDS

No dividend has been paid or proposed by the Company during the year (2019: 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 285,410,959 (2019: 225,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculation of basic earnings per share is based on:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**70,309**	69,652

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2019 has been retrospectively adjusted for the effects of the capitalisation issue which took place on 12 March 2020.

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**285,410,959**	225,000,000

10. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**107,401**	101,475
Less: Impairment	**(6,925)**	—
	100,476	101,475
Bills receivables	**49,993**	67,683
	150,469	169,158

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. There is a certain concentration of credit risk. The total trade receivables from the five largest debtors at 31 December 2020 represented 79.7% (2019: 83.3%) of the total trade receivables, while 54.9% (2019: 36.8%) of the total trade receivables were due from the largest debtor. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**72,231**	115,757
1 to 2 months	**11,500**	30,251
2 to 3 months	**13,561**	10,087
Over 3 months	**53,177**	13,063
	150,469	169,158

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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**4,122**	13,126
1 to 2 months	**1,072**	4,077
2 to 3 months	**1,007**	2
Over 3 months	**120**	—
	6,321	17,205

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

12. EVENT AFTER THE REPORTING PERIOD

On 26 March 2021, the Company's wholly owned PRC subsidiary, Ximei Resources (Guangdong) Limited, entered into a cooperation agreement (the "Cooperation Agreement") with China Nuclear Huachuang Rare Materials Co., Ltd. ("中核華創稀有材料有限公司"), an independent third party, to establish a cooperation company in the PRC, namely China Nuclear Huazhong New Materials Co., Ltd. ("中核華中新材料有限公司") (the "Cooperation Company"). The purpose of the establishment of the Cooperation Company is to develop a project in relation to the production of tantalum- and niobium-based metallurgical products in the PRC.

Pursuant to the Cooperation Agreement, the registered capital of the Cooperation Company is RMB100 million, of which RMB45 million and RMB55 million will be contributed in cash by Ximei Resources (Guangdong) Limited and China Nuclear Huachuang Rare Materials Co., Ltd., respectively, in proportion to their corresponding equity interest (i.e. 45% and 55%) in the Cooperation Company. The first capital contribution by Ximei Resources (Guangdong) Limited and China Nuclear Huachuang Rare Materials Co., Ltd. amounted to RMB4.5 million and RMB5.5 million, respectively, are payable within 60 days upon the establishment of the Cooperation Company and the remaining capital contribution will be paid subsequently with reference to the capital requirements of the Cooperation Company.

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 of the Company dated 26 February 2020 (the "Prospectus").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2020, given the global spread of the epidemic and Sino-US trade disputes, the global economy was facing severe downward pressure. The structural adjustment pace for Chinese economy speeded up, while there were a lot of uncertainties in the internal and external operating environments of entities. Besides, the price of tantalum and niobium based products has been dropping since the second half of 2020. Despite the above, with the efforts of all staff of the Group, we have achieved a satisfactory operating result.

Production

- Total production volume of main products of pentoxide products and potassium heptafluorotantalate achieved approximately 1,781.1 tonnes in 2020, an increase of 21.7% year-on-year; in terms of single product, output of industrial grade niobium pentoxide, industrial grade tantalum pentoxide and potassium heptafluorotantalate was approximately 1,212.9 tonnes, 147.6 tonnes and 238.2 tonnes, an increase of 28.4%, (16.4)% and 136.0% year-on-year, respectively.

- Direct recovery rate of main products further improved.

- Output of single-month tantalum and niobium based metallurgical products achieved record high of over 150 tonnes, showing the continuous increasing of total production volume.

- Output of the by-product of fluoride salt achieved more than 2,000 tonnes, an increase of 52.6% year-on-year, which generated considerable economic benefit; while 27.7 tonnes of by-product of tin concentrate was recovered, an increase of 162% year-on-year, due to the improved technology.

- 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.

* *For identification purposes only*

Marketing

- Outstanding performance in marketing was recorded in such unfavorable business environment. The total sales volume of main products of pentoxide products and potassium heptafluorotantalate achieved approximately 1,868.9 tonnes throughout the year, an increase of 17.9% year-on-year.

- The results of the development of new customers and new products were significant, 18 of which are sizable with businesses covering supermalloy, battery materials, single-crystal manufacture, target manufacture and other high-end areas; and

- The export business of the Group recorded significant increase despite the impact of novel coronavirus (COVID-19) (the "Epidemic") in overseas, and the export sales increased 20% year-on-year to over RMB76 million.

Revenue

- In 2020, the Company recorded a revenue amounted to approximately RMB601.7 million, representing an increase of approximately RMB1.1 million as compared to that of the previous year and a year-on-year increase of 0.2%; and

- During the Year Under Review, the Company's revenue increase is mainly due to the significant growth of revenue from the potassium heptafluorotantalate and niobium pentoxide products, while partially offset by the decrease in sales of industrial grade tantalum pentoxide. The sales revenue of industrial grade niobium pentoxide increased by approximately RMB42.6 million as compared to that of the previous year, representing a year-on-year increase of 20.9%. Besides, the revenue generated from the sale of potassium heptafluorotantalate also increased by approximately RMB46.8 million or 92.3% as compared to that of the previous year.

Profit

- For the year ended 31 December 2020, the Company recorded a profit of approximately RMB70.3 million, representing an increase of approximately RMB0.6 million or 0.9% as compared to that of the previous year, which is mainly due to the improvement in gross profit margin for the Year Under Review.

Research and development

- Added 4 new invention patent licences;

- Participated in the revision of 3 national standards;

- Completed the transformation of the high-purity niobium pentoxide extraction line, which effectively reduces the sulfate in the niobium liquid, facilitating the realization of resource treatment of alkaline wastewater. In addition, the quality of the niobium liquid has been greatly improved, and the tantalum in the niobium is less than 5ppm;

- In terms of new product development and new processes improvement, the production process of electronic-grade niobium pentoxide made significant progress with products applied to the lithium battery application field in batches; the quality of crystal-grade high-purity niobium pentoxide was steadily improved and the annual output hit a record high of exceeding 19 tons;

- Coating-grade high-purity tantalum pentoxide, crystal-grade high-purity tantalum pentoxide, and P-grade niobium pentoxide also entered the mass production stage;

- Energy-saving and environmental protection work was significantly improved, and water-saving and ammonia-reducing work achieved outstanding results. More than approximately RMB4.5 million can be saved in ammonia consumption per year, showing significant economic value; and

- The wastewater resource utilization project was advanced in an orderly manner as schedule, and the experimental work of preparing calcium fluoride from alkaline wastewater and recovering copper was carried out to lay a foundation for the next step of comprehensive wastewater resource utilization.

FINANCIAL REVIEW

Revenue

The Group's 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			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Sales of products	**595,857**	**99.0%**	595,805	99.2%
Provision of processing services	**5,795**	**1.0%**	4,839	0.8%
Total revenue	**601,652**	**100.0%**	600,644	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			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Pentoxide products	**422,462**	**70.3%**	485,522	80.8%
Tantalum pentoxide				
— Industrial grade tantalum pentoxide	**128,536**	**21.4%**	214,734	35.8%
— High-purity tantalum pentoxide	**4,570**	**0.8%**	8,216	1.4%
Niobium pentoxide				
— Industrial grade niobium pentoxide	**246,510**	**41.0%**	203,923	34.0%
— High-purity niobium pentoxide	**42,846**	**7.1%**	58,649	9.8%
Potassium heptafluorotantalate	**97,499**	**16.2%**	50,726	8.4%
Recycled products	**20,648**	**3.4%**	17,191	2.9%
Others	**61,043**	**10.1%**	47,205	7.9%
Total revenue	**601,652**	**100.0%**	600,644	100.0%

During the two years ended 31 December 2020 and 2019, 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 70.3% and 80.8% of our total revenue for the two years ended 31 December 2020 and 2019, respectively.

The Group's revenue increased by approximately RMB1.1 million or 0.2% from approximately RMB600.6 million for the year ended 31 December 2019 to approximately RMB601.7 million for the Year Under Review. The increase was mainly due to the increase in revenue generated from sale of products of potassium heptafluorotantalate and niobium pentoxide, while partially offset by the decrease in revenue generated from sale of tantalum pentoxide.

Pentoxide Products

For the Year Under Review, our revenue generated from sale of pentoxide products amounted to approximately RMB422.5 million, representing a decrease of approximately RMB63.0 million or 13.0% from approximately RMB485.5 million for the year ended 31 December 2019. Such decrease was driven by the decrease in revenue from sale of industrial grade tantalum pentoxide of approximately RMB86.2 million, while partially offset by the increase in revenue from sale of industrial grade niobium pentoxide of approximately RMB42.6 million.

Potassium Heptafluorotantalate

For the Year Under Review, our revenue generated from sale of potassium heptafluorotantalate amounted to approximately RMB97.5 million, representing an increase of approximately RMB46.8 million or 92.3% from approximately RMB50.7 million for the year ended 31 December 2019. Such increase was mainly due to the increase in sales volume.

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 2019 of approximately RMB17.2 million to the Year Under Review of approximately RMB20.6 million was primarily because we sold more tin hydroxide, potassium fluorosilicate and tungsten acid for the Year Under Review as comparing to that of the year ended 31 December 2019.

Others

For the two years ended 31 December 2020 and 2019, 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 RMB61.0 million, representing an increase of approximately RMB13.8 million or 29.2% from approximately RMB47.2 million for the year ended 31 December 2019.

Provision of Processing Services

During the Year Under Review, the Group provided processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptaluorotantalate. For the year ended 31 December 2020, our revenue generated from the provision of processing services amounted to approximately RMB5.8 million, representing an increase of approximately RMB1.0 million or 20.8% from approximately RMB4.8 million for the year ended 31 December 2019. Such increase was mainly due to the increase in orders from our customers during the Year Under Review.

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 2020 and 2019, our cost of sales amounted to approximately RMB429.0 million and RMB441.6 million, respectively. The following table sets forth the breakdown of our cost of sales for the years indicated:

	For the year ended 31 December			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Raw materials	**384,068**	**89.5%**	400,257	90.6%
Factory overheads	**21,005**	**4.9%**	19,198	4.4%
Electricity and fuels	**8,586**	**2.0%**	8,979	2.0%
Labour *(Note)*	**9,678**	**2.3%**	8,084	1.8%
Processing fee	**5,665**	**1.3%**	5,122	1.2%
Total cost of sales	**429,002**	**100.0%**	441,640	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 89.5% and 90.6% of our total cost of sales for the Year Under Review and the year ended 31 December 2019, respectively. Our cost of sales decreased by approximately RMB12.6 million or 2.9% from approximately RMB441.6 million for the year ended 31 December 2019 to approximately RMB429.0 million for the Year Under Review. Such decrease was mainly attributable to the decrease in average unit cost for purchasing tantalum ores and niobium ores for the Year Under Review.

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			
	2020		2019	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*
Sales of products	**169,194**	**28.4%**	157,159	26.4%
Provision of processing services	**3,456**	**59.6%**	1,845	38.1%
Total gross profit/overall gross profit margin	**172,650**	**28.7%**	159,004	26.5%

The Group's gross profit increased by approximately RMB13.7 million or 8.6% from approximately RMB159.0 million for the year ended 31 December 2019 to approximately RMB172.7 million for the Year Under Review, mainly driven by the decrease in our cost of sales.

Our gross profit margin increased from approximately 26.5% for the year ended 31 December 2019 to approximately 28.7% for the Year Under Review. Such increase during the Year Under Review was mainly to the decrease in our cost of sales.

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			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Government grants	**14,616**	**53.0%**	6,416	84.2%
Bank interest income	**1,268**	**4.6%**	908	11.9%
Foreign exchange difference, net	**10,985**	**39.8%**	—	—
Others	**704**	**2.6%**	298	3.9%
Total other income and gains	**27,573**	**100.0%**	7,622	100.0%

Our other income and gains primarily comprised government subsidies, bank interest income, foreign exchange difference, net 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 RMB20.0 million or 263.2% from approximately RMB7.6 million for the year ended 31 December 2019 to approximately RMB27.6 million for the Year Under Review. Such increase was mainly attributable to the increase in government grants of approximately RMB8.2 million from approximately RMB6.4 million for the year ended 31 December 2019 to approximately RMB14.6 million for the Year Under Review. Besides, the Group recorded a foreign exchange difference, net of approximately RMB11.0 million for the year ended 31 December 2020.

Selling and distribution expenses

The Group's selling and distribution expenses primarily comprised distribution costs for transportation and packaging for delivery of products, salaries and benefits for personnel of our sales and procurement department, consultation fees, 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			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Distribution costs	**2,789**	**33.2%**	2,573	35.7%
Staff costs	**2,598**	**31.0%**	3,294	45.8%
Consultation fees	**2,395**	**28.5%**	67	0.9%
Travelling and entertainment expenses	**277**	**3.3%**	691	9.6%
Advertising and promotion expenses	**—**	**—**	114	1.6%
Office expenses	**89**	**1.1%**	113	1.6%
Others	**244**	**2.9%**	341	4.8%
Total selling and distribution expenses	**8,392**	**100.0%**	7,193	100.0%

The Group's selling and distribution expenses increased by approximately RMB1.2 million or 16.7% from approximately RMB7.2 million for the year ended 31 December 2019 to approximately RMB8.4 million for the Year Under Review. Such increase was mainly attributable to the increase in consultation fees of approximately RMB2.3 million, while partially offset by the decrease in staff costs of approximately RMB0.7 million.

Administrative expenses

The Group's administrative expenses primarily comprised expenses for research and development expenses, staff costs of our administrative and management staff and legal advisory and professional fees. The table below sets forth the breakdown of our administrative expenses for the years indicated:

	For the year ended 31 December			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Research and development expenses	**24,005**	**33.0%**	23,951	42.2%
Staff costs	**22,551**	**31.0%**	14,724	25.9%
Other tax expenses	**2,606**	**3.6%**	2,635	4.7%
Legal advisory and professional fees	**6,356**	**8.7%**	1,056	1.9%
Depreciation and amortisation	**4,426**	**6.1%**	3,710	6.5%
Travelling and entertainment expenses	**928**	**1.3%**	1,706	3.0%
Bank charges	**2,422**	**3.3%**	702	1.2%
Others *(Note)*	**9,397**	**13.0%**	8,293	14.6%
Total administrative expenses	**72,691**	**100.0%**	56,777	100.0%

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

The Group's administrative expenses increased by approximately RMB15.9 million or 28.0% from approximately RMB56.8 million for the year ended 31 December 2019 to approximately RMB72.7 million for the Year Under Review. Such increase was mainly attributable to (i) the increase in staff costs of approximately RMB7.9 million from approximately RMB14.7 million for the year ended 31 December 2019 to approximately RMB22.6 million for the Year Under Review; and (ii) the increase in legal advisory and professional fees of approximately RMB5.3 million from approximately RMB1.1 million for the year ended 31 December 2019 to approximately RMB6.4 million for the Year Under Review.

The Group's research and development expenses amounted to approximately RMB24.0 million and RMB24.0 million for the Year Under Review and the year ended 31 December 2019, 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.

Other expenses

For the Year Under Review, the Group's other expenses of approximately RMB12.5 million mainly comprised impairment of trade receivables of approximately RMB6.9 million and write-down of inventories of approximately RMB4.9 million.

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	
	2020	2019
	RMB'000	*RMB'000*
Finance costs on interest-bearing bank borrowings	**10,272**	7,214
Interest on lease liabilities	**189**	239
Less: interest capitalised	**(2,439)**	(2,869)
Total net finance costs	**8,022**	4,584

Our finance costs on interest-bearing bank borrowings before capitalisation for the Year Under Review and the year ended 31 December 2019 amounted to approximately RMB10.3 million and RMB7.2 million, respectively. For the Year Under Review and the year ended 31 December 2019, we capitalised interest of approximately RMB2.4 million and RMB2.9 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 for the Year Under Review and the year ended 31 December 2019 amounted to approximately RMB8.0 million and RMB4.6 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 2019 amounted to approximately RMB16.9 million and RMB14.3 million, respectively. Our effective tax rate for the Year Under Review and the year ended 31 December 2019 was approximately 19.3% and 17.0%, 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.

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 2019 of approximately RMB70.3 million and RMB69.7 million, respectively, representing an increase of approximately RMB0.6 million or 0.9%. Our net profit margin was approximately 11.7% and 11.6% for Year Under Review and the year ended 31 December 2019, respectively.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

Property, plant and equipment

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

The carrying amount of our property, plant and equipment increased by approximately RMB6.1 million from approximately RMB89.5 million as at 31 December 2019 to approximately RMB95.6 million as at 31 December 2020. 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.

Right-of-use assets

Our right-of-use assets comprised our leased properties and prepaid land lease payments. Our leased properties are recognised as pursuant to HKFRS 16. Our leased properties decreased from approximately RMB3.4 million as at 31 December 2019 to approximately RMB2.2 million as at 31 December 2020, mainly due to our rental payment.

Our prepaid land lease payments represented the prepaid land lease payments in respect of our production facilities in Yingde, Guangdong Province, the PRC. Prepaid land lease payments decreased from approximately RMB22.6 million as at 31 December 2019 to approximately RMB22.1 million as at 31 December 2020, mainly due to our depreciation.

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	
	2020	2019
	RMB'000	*RMB'000*
Raw materials	**184,069**	81,053
Work in progress	**36,669**	23,345
Finished goods	**48,420**	25,481
Total inventories	**269,158**	129,879
Average inventories *(Note 1)*	**199,519**	146,301
Average inventories to revenue from sale of products *(Note 2)*	**33.2%**	24.4%

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.

The Group's inventories amounted to approximately RMB269.2 million and RMB129.9 million as at 31 December 2020 and 2019, respectively. Our average inventories increased from approximately RMB146.3 million as at 31 December 2019 to approximately RMB199.5 million as at 31 December 2020, such increase was mainly due to the increase in raw materials. Our average inventories to revenue from sale of products was approximately 33.2% and 24.4% for the year ended 31 December 2020 and 2019, respectively.

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

	For the year ended 31 December	
	2020	2019
	(Days)	*(Days)*
Average inventory turnover days *(Note)*	**169.8**	121.0

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 increased from approximately 121.0 days for the year ended 31 December 2019 to 169.8 days for the Year Under Review. The increase was mainly due to the increase of our inventories as at 31 December 2020.

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	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**107,401**	101,475
Less: Impairment	**(6,925)**	—
	100,476	101,475
Bills receivables	**49,993**	67,683
Total trade and bills receivables	**150,469**	169,158
Average trade and bills receivables *(Note 1)*	**159,814**	118,921
Average trade and bills receivables to total revenue *(Note 2)*	**26.6%**	19.8%

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 decreased from approximately RMB169.2 million as at 31 December 2019 to approximately RMB150.5 million as at 31 December 2020. Such decrease was mainly due to the decrease in bills receivables.

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	
	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**72,231**	115,757
31 days to 60 days	**11,500**	30,251
61 days to 90 days	**13,561**	10,087
Over 90 days	**53,177**	13,063
Total trade and bills receivables	**150,469**	169,158

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 2020, 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	
	2020	2019
	(Days)	*(Days)*
Average turnover days of trade and bills receivables *(Note)*	**97.0**	72.3

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 72.3 days for the year ended 31 December 2019 to 97.0 days for the Year Under Review. The increase was mainly due to the increase of our trade and bills receivables over 90 days as at 31 December 2020.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly represented advance prepayments to our suppliers for purchasing raw materials, advance prepayments for purchasing our equipment and machinery and prepaid land lease payments for acquiring land use rights. We prepaid land lease payments prior to obtaining the relevant land use rights certificates and reclassified such prepayments to "prepaid land lease payments" when the land use rights certificate is granted. The following table sets forth a breakdown of our prepayments, deposits and other receivables as at balance sheet dates indicated:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Prepayments — Non-current	**13,318**	11,967
Prepayments — Current	**111,820**	40,682
Deposits and other receivables	**2,618**	1,516
Total prepayments, deposits and other receivables	**114,438**	42,198

Our prepayments, deposits and other receivables increased from approximately RMB42.2 million as at 31 December 2019 to approximately RMB114.4 million as at 31 December 2020, mainly driven by the increase in prepayment.

Trade payables

Our trade payables decreased from approximately RMB17.2 million as at 31 December 2019 to approximately RMB6.3 million as at 31 December 2020 mainly due to the decrease in purchase near the end of 2020. The following is an ageing analysis of trade payables, based on the invoice date, as at balance sheet dates indicated:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**4,122**	13,126
31 days to 60 days	**1,072**	4,077
61 days to 90 days	**1,007**	2
Over 90 days	**120**	—
Total trade payables	**6,321**	17,205

Our trade payables were non-interest-bearing and normally settled with terms of 40 days. The following table sets forth the average turnover days of our trade payables for the years indicated:

	For the year ended 31 December	
	2020	2019
	(Days)	*(Days)*
Average turnover days of trade payables *(Note)*	**10.0**	23.5

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 23.5 days for the year ended 31 December 2019 to 10.0 days for the Year Under Review, mainly because the decrease in trade payables within 30 days as at 31 December 2020.

Other payables and accruals

Our other payables and accruals comprised accruals, deferred income, contract liabilities, and other payables. Our accruals mainly represented accrued staff costs and accrued listing expenses. Our contract liabilities mainly represented short-term advances received to deliver goods. Our deferred income mainly represented government grants received from the PRC local government authorities in relation to our research and development activities and acquisition of property, plant and equipment. The following table sets forth a breakdown of our other payables and accruals as at balance sheet dates indicated:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Accruals	**25,426**	19,767
Deferred income	**9,089**	8,980
Contract liabilities	**1,555**	1,239
Other payables	**10,040**	4,635
Total other payables and accruals	**46,110**	34,621

Our other payables and accruals increased from approximately RMB34.6 million as at 31 December 2019 to approximately RMB46.1 million as at 31 December 2020. Such increase was mainly driven by the increase in accruals and other payables.

Bank borrowings

Bank borrowings were our principal component of our total liabilities, constituting approximately 80.5% and 69.3% of our total liabilities as at 31 December 2020 and 31 December 2019, 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	
	2020	2019
	RMB'000	*RMB'000*
Non-current	**29,786**	40,247
Current	**236,144**	103,015
Total bank borrowings	**265,930**	143,262

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	
	2020	2019
	RMB'000	*RMB'000*
Secured	**38,798**	48,497
Unsecured	**227,132**	94,765
Total bank borrowings	**265,930**	143,262

As at 31 December 2020, our bank borrowings were secured by the pledge of certain of our Group's leasehold land, and property, plant and equipment with net carrying amounts of approximately RMB5.9 million (31 December 2019: RMB9.5 million) and RMB30.2 million (31 December 2019: Nil), respectively.

Our total bank borrowings increased from approximately RMB143.3 million as at 31 December 2019 to approximately RMB265.9 million as at 31 December 2020. Such increase was mainly due to the drawing down of new bank loans during the Year Under Review.

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 2020, we had cash and cash equivalents of approximately RMB186.4 million (31 December 2019: approximately 58.5 million). In the future, we intend to finance our operations by cash generated from operating activities, bank borrowings and proceeds from the Listing.

We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs while supporting a viable business scale and future plans.

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.

Cash flows

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures and growth of the Group's operations.

During the Year Under Review, the Group's cash and cash equivalents increased by approximately RMB127.9 million, which mainly comprised the net cash outflow used in operating activities with the amount of approximately RMB94.3 million, net cash outflow used in investing activities with the amount of approximately RMB17.4 million, net cash inflow from financing activities with the amount of approximately RMB244.6 million, and the foreign exchange loss of approximately RMB5.0 million.

CAPITAL STRUCTURE

Indebtedness

The total indebtedness of the Group as at 31 December 2020 was approximately RMB265.9 million (31 December 2019: approximately RMB143.3 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 2020, the Group's gearing ratio was approximately 15.2% (31 December 2019: 26.4%), calculated as the total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of the relevant year multiplied by 100%. The increase was mainly due to a decrease in cash and cash equivalents.

Pledge of assets

As at 31 December 2020, our bank borrowings were secured by the pledge of certain of our Group's leasehold land, and property, plant and equipment with net carrying amounts of approximately RMB5.9 million (31 December 2019: RMB9.5 million) and RMB30.2 million (31 December 2019: Nil), respectively.

Capital expenditures

Our capital expenditures primarily comprised expenditures for purchases of property, plant and equipment. Our capital expenditures amounted to approximately RMB19.0 million and RMB25.9 million for the Year Under Review and the year ended 31 December 2019, 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 2020, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings (31 December 2019: Nil).

CAPITAL COMMITMENT

As at 31 December 2020, the Group had capital commitment of approximately RMB44.0 million (31 December 2019: approximately RMB5.1 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 2020, 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 2020.

FUTURE PLANS FOR CAPITAL ASSETS

Future plans for capital assets of the Company are set out in the relevant disclosure in the section headed "Future Plans and Use of Proceeds" in the Prospectus and the section headed "Actual Business Progress and Use of Proceeds from the Listing" on page 35 of this announcement.

FUTURE OUTLOOK

Looking forward, the Group will remain true to the original aspiration and move forward with striving to pursue the vision of "creating the world's leading manufacturer of tantalum and niobium based products". The development of global tantalum and niobium market is expected to experience growth, mainly evidenced by:

Industrial upgrade

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

Increasing demand for high-purity products

The rapid development of high-end electronics industry and super-conducting materials industry among downs.

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 maximize value and returns for our Shareholders. Firstly, extending the industrial chain is an important measure for the Group's future business development and profit growth. We commenced 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, which is expected to be completed and put into operation in 2021. We invested in a production base for high-purity tantalum-and niobium-based products in Guizhou in 2020, which is also expected to be completed and put into production within 2021. Secondly, we will speed up the pace in the research and development of new technologies and new products, and carry out projects on high purity tantalum powder used in semiconductor coating target materials, and production technology of niobium pentoxide used in lithium battery materials. In addition, we will further expand overseas markets, explore a variety of trading methods, and focus on expanding customers in the fields of crystals, batteries, light waves, and target materials. Furthermore, the Group will also expand the group of ore suppliers, focus on cultivating and supporting high-quality suppliers, and increase the proportion of strategic partners or long-term agreement suppliers to ensure the quality of raw materials and stable supply.

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 2020, the Group had a total of 260 employees, total staff cost for the Year Under Review amounted to RMB41.8 million (2019: approximately RMB39.1 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 resolved not to recommend the payment of any final dividends for the year ended 31 December 2020 (2019: 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 Monday, 31 May 2021, the register of members of the Company will be closed from Wednesday, 26 May 2021 to Monday, 31 May 2021 (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 Tuesday, 25 May 2021.

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 RMB92.7 million (equivalent to approximately HK$105.5 million), after deduction of the underwriting commission and relevant expenses. As at 31 December 2020, the Group had used net proceeds of approximately RMB18.3 million. The following table illustrates the status of the use of net proceeds according to the section headed "Future Plans and Use of Proceeds" in the Prospectus as at 31 December 2020:

		Planned use of proceeds as disclosed in the Prospectus	**Actual utilised amount as at 31 December 2020**	**Unutilised amount as at 31 December 2020**
	%	*(RMB million)*	*(RMB million)*	*(RMB million)*
Construction of new production facilities to produce tantalum powder and bars	28.9%	26.8	—	26.8
Acquisition and installing of machinery and equipment to produce tantalum powder and bars	36.0%	33.4	—	33.4
Other expense for setting up the new production facilities	3.9%	3.6	0.5	3.1
Financing five research and development projects	17.9%	16.6	7.9	8.7
Strengthening the sales network in Europe and sourcing channels in Brazil	3.5%	3.2	0.8	2.4
General working capital	9.8%	9.1	9.1	—
Total	100.0%	92.7	18.3	74.4

The unutilised amount of net proceeds of approximately RMB74.4 million is expected to be completely utilised by June 2022.

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.

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 FUNCTIONS

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

During the Year Under Review, 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. Specific enquiries have been made to all Directors regarding Directors' securities transactions during the Year Under Review and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the Year Under Review.

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.

During the Year Under Review, the audit committee had held two meetings and all the members attended the meetings. 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 2020 and accounting principles and practices adopted for the Group, as well as the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit functions for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this annual report complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

Change in Shareholding of Controlling Shareholder

As disclosed in the announcement of the Company dated 25 January 2021, on 25 January 2021, MACRO-LINK International Mining Limited ("MACRO-LINK"), a substantial shareholder of the Company, transferred 47,500,000 shares of the Company, representing approximately 15.8% of the issued share capital of the Company, to Jiawei Resources Seychelles, a controlling shareholder of the Company (the "Transfer").

Prior to the Transfer, Jiawei Resources Seychelles held 157,500,000 shares of the Company, representing approximately 52.5% of the issued share capital of the Company. Following the Transfer, Jiawei Resources Seychelles holds 205,000,000 shares of the Company, representing approximately 68.3% of the issued share capital of the Company. Please refer to the announcement of the Company dated 25 January 2021 for further details.

Resignation of Non-executive Director

As disclosed in the announcement of the Company dated 23 February 2021, Mr. Zeng Min ("Mr. Zeng") has tendered his resignation as a non-executive Director of the Company with effect from 23 February 2021. Reference is made to the announcement of the Company dated 25 January 2021 in relation to the change in shareholding of controlling shareholder. As MACRO-LINK has ceased to be a shareholder of the Company, Mr. Zeng, the representative from MARCO-LINK, has resigned as a non-executive Director to focus on his other business engagements. Please refer to the announcement of the Company dated 23 February 2021 for further details.

Cooperation Arrangement

As disclosed in the announcement of the Company dated 26 March 2021, on 26 March 2021, Ximei Guangdong, a wholly-owned subsidiary of the Company, and China Nuclear Huachuang entered into the Cooperation Agreement in relation to the Cooperation.

Pursuant to the Cooperation Agreement, Ximei Guangdong and China Nuclear Huachuang shall inject capital to the Cooperation Company in proportion to their respective equity holding in the Cooperation Company, representing 45% and 55% of the registered equity capital of the Cooperation Company, respectively. The registered capital of the Cooperation Company is RMB100 million. The purpose of the establishment of the Cooperation Company is to develop a project in relation to the production of tantalum- and niobium-based products in Hunan Province, the PRC. Please refer to the announcement of the Company dated 26 March 2021 for further details.

SCOPE OF WORK OF ERNST & 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 2020 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & 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 2020 is published on the website of the Stock Exchange (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.ximeigroup.com). The annual report for 2020 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 (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.ximeigroup.com) under "Investor Relations".

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

Hong Kong, 30 March 2021

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