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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS HIGHLIGHTS

	Six Months ended 30 June		% Changes Increase/ (decrease)
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	
Financial Highlights			
Revenue	346,501	317,396	9.2%
Cost of sales	(268,179)	(222,876)	20.3%
Gross profit	78,322	94,520	(17.1)%
Gross profit margin	22.6%	29.8%	(7.2)% points
Profit before tax	56,130	44,024	27.5%
Profit for the period	49,124	35,253	39.3%
Basic earnings per share (in RMB)	0.16	0.13	23.1%
	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)	% Changes Increase/ (decrease)
Liquidity and Gearing			
Current ratio (Note 1)	2.4	2.4	—
Quick ratio (Note 2)	1.7	1.5	13.3%
Gearing ratio (Note 3)	8.8%	15.2%	(6.4)% points

Notes:

- (1) Current ratio represents total current assets divided by total current liabilities as at the relevant year/period end.
- (2) Quick ratio represents total current assets less inventories divided by total current liabilities as at the relevant year/period end.
- (3) Gearing ratio represents total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of a year/period.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	346,501	317,396
Cost of sales		<u>(268,179)</u>	<u>(222,876)</u>
Gross profit		78,322	94,520
Other income and gains, net		17,978	2,841
Selling and distribution expenses		(5,121)	(3,262)
Administrative expenses		(30,811)	(34,688)
Listing expenses		—	(11,468)
Other expenses		(235)	(707)
Finance costs		<u>(4,003)</u>	<u>(3,212)</u>
PROFIT BEFORE TAX	5	56,130	44,024
Income tax expense	6	<u>(7,006)</u>	<u>(8,771)</u>
PROFIT FOR THE PERIOD		<u>49,124</u>	<u>35,253</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (in RMB)	8	<u>0.16</u>	<u>0.13</u>

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>49,124</u>	<u>35,253</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(153)</u>	<u>(8)</u>
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	<u>(96)</u>	<u>936</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(249)</u>	<u>928</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>48,875</u>	<u>36,181</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June	31 December
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	114,159	95,557
Right-of-use-assets		31,069	24,342
Investment in an associate		4,500	—
Prepayments		34,280	13,318
		<u>184,008</u>	<u>133,217</u>
Total non-current assets			
CURRENT ASSETS			
Inventories		200,635	269,158
Trade and bills receivables	10	200,081	150,469
Prepayments, deposits and other receivables		133,428	114,438
Cash and cash equivalents		180,420	186,378
		<u>714,564</u>	<u>720,443</u>
Total current assets			
CURRENT LIABILITIES			
Trade payables	11	27,099	6,321
Other payables and accruals		44,992	46,110
Interest-bearing bank borrowings		205,574	236,144
Lease liabilities		3,960	1,213
Tax payable		14,996	10,370
		<u>296,621</u>	<u>300,158</u>
Total current liabilities			
NET CURRENT ASSETS		<u>417,943</u>	<u>420,285</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>601,951</u>	<u>553,502</u>

		30 June	31 December
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		24,800	29,786
Lease liabilities		<u>6,514</u>	<u>1,954</u>
Total non-current liabilities		<u>31,314</u>	<u>31,740</u>
Net assets		<u><u>570,637</u></u>	<u><u>521,762</u></u>
EQUITY			
Share capital	<i>12</i>	2,712	2,712
Reserves		<u>567,925</u>	<u>519,050</u>
Total equity		<u><u>570,637</u></u>	<u><u>521,762</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2020.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform — Phase 2

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

The adoption of above revised HKFRSs do not have significant impact to the preparation of the Group’s condensed consolidated financial information.

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 separate operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	304,417	285,551
The United States	26,808	12,611
Asia	10,982	4,179
Europe	4,228	15,055
Others	66	—
	<u>346,501</u>	<u>317,396</u>

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

(b) Non-current assets

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
The PRC	183,615	132,537
Others	393	680
	<u>184,008</u>	<u>133,217</u>

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 current or prior reporting period, are set out below:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	16,275	119,868
Customer B	57,281	45,812

4. REVENUE

An analysis of revenue is as follows:

Six months ended 30 June	
2021	2020
RMB'000	RMB'000
(Unaudited)	(Unaudited)

Revenue from contracts with customers

Sale of products	345,643	314,959
Provision of processing services	858	2,437
	<u>346,501</u>	<u>317,396</u>

Disaggregate revenue information for revenue from contracts with customers

Six months ended 30 June	
2021	2020
RMB'000	RMB'000
(Unaudited)	(Unaudited)

Types of goods or services

Sale of products	345,643	314,959
Provision of processing services	858	2,437
	<u>346,501</u>	<u>317,396</u>

Timing of revenue recognition

Goods transferred at a point in time	345,643	314,959
Services rendered over time	858	2,437
	<u>346,501</u>	<u>317,396</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	268,179	222,876
Depreciation of property, plant and equipment	6,222	5,880
Depreciation of right-of-use assets	1,210	879
Research and development costs	12,492	12,345
Loss on disposal of items of property, plant and equipment	133	278
Reversal of impairment of inventories	(5,546)	(266)
Reversal of impairment of trade receivables	(5,491)	—
Foreign exchange differences, net	(591)	356

6. INCOME TAX

During the six months ended 30 June 2021, Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong for the Hong Kong subsidiary of the Company, 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% (six months ended 30 June 2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2020: 16.5%).

Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the period (six months ended 30 June 2020: 25%). During the period, Ximei Resources (Guangdong) Limited, a subsidiary of the Company, qualified as a high and new technology enterprise and enjoyed a preferential income tax rate at 15% (six months ended 30 June 2020: 15%).

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — The PRC		
Charge for the period	4,762	6,815
Underprovision in prior periods	1,716	—
Current — Hong Kong		
Charge for the period	528	1,956
Total tax charge for the period	7,006	8,771

7. DIVIDENDS

No dividend has been paid or proposed by the Company during the period (six months ended 30 June 2020: Nil).

8. 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 period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 300,000,000 (six months ended 30 June 2020: 270,580,110) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

The calculations of basic earnings per share are based on:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company	<u>49,124</u>	<u>35,253</u>
	Number of shares	
	Six months ended 30 June	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>300,000,000</u>	<u>270,580,110</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment of RMB24,963,000 (six months ended 30 June 2020: RMB7,572,000). In addition, the Group has written off certain items of property, plant and equipment with an aggregate carrying amount of RMB133,000 (six months ended 30 June 2020: RMB278,000), which was charged to the profit and loss for the period.

10. TRADE AND BILLS RECEIVABLES

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

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 month	157,844	72,231
1 to 2 months	32,297	11,500
2 to 3 months	7,259	13,561
Over 3 months	<u>2,681</u>	<u>53,177</u>
	<u>200,081</u>	<u>150,469</u>

11. TRADE PAYABLES

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

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 month	22,224	4,122
1 to 2 months	2,074	1,072
2 to 3 months	715	1,007
Over 3 months	<u>2,086</u>	<u>120</u>
	<u>27,099</u>	<u>6,321</u>

12. SHARE CAPITAL

	30 June 2021		31 December 2020	
	<i>HK\$</i>	<i>Equivalent to RMB</i>	<i>HK\$</i>	<i>Equivalent to RMB</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Issued and fully paid:				
300,000,000 ordinary shares of HK\$0.01 each	<u>3,000,000</u>	<u>2,712,208</u>	<u>3,000,000</u>	<u>2,712,208</u>

On 12 March 2020, 300,000,000 new shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited, pursuant to which 224,999,990 shares were issued by the Company to its then existing shareholders by way of capitalisation from the share premium account and 75,000,000 shares were issued by the Company's initial public offering at the offer price of HK\$2.23 per share. The gross proceeds amounted to approximately HK\$167.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT REVIEW

During the six months ended 30 June 2021 (the “Reporting Period”), the pressure from the prevention and control against the outbreak of the novel coronavirus (COVID-19) epidemic (the “Epidemic”) remained severe and business activities were still hindered which slowed down the recovery of the global economy. Under the complex and ever-changing operating environment, the Group adhered closely to the high quality-driven development philosophy of “delicate organization for production, full-gear development of projects, strengthened research and development and innovation and enhancement of internal management”, which gave rise to tremendous operating results. The shifting and commissioning of production lines for projects on quality improvement and upgrade, despite somehow having impacted the overall output for the first half of 2021, brought economic benefits to the Group as a whole since the output of high-purity products increased by so doing. During the Reporting Period, the total output of main products of the Group amounted to approximately 749.2 tonnes, representing a year-on-year decrease of 17.5%. Operating revenue amounted to approximately RMB346.5 million, representing a year-on-year increase of 9.2%. Net profit for the period amounted to approximately RMB49.1 million, representing a year-on-year increase of 39.3%.

BUSINESS REVIEW

Improvement and upgrade on quality with optimization in product structure

As the Group has been steadily advancing projects of quality improvement and upgrade for factories located in Yingde production site since the first half of 2021, the proportion of high-purity products increased with better product mix. During the Reporting Period, the total output of the Group’s main products amounted to approximately 749.2 tonnes, representing a decrease of 17.5%. Among which, the output of industrial grade niobium pentoxide was approximately 445.3 tonnes, representing a year-on-year decrease of 29.1% while the output of industrial grade tantalum pentoxide was approximately 45.1 tonnes, representing a year-on-year decrease of 52.3%. The output of potassium heptafluorotantalate was 137.3 tonnes, representing a year-on-year increase of 56.4%. The output of high-purity niobium pentoxide was approximately 117.0 tonnes, representing a year-on-year increase of 22.5% whereas the output of high-purity tantalum pentoxide was approximately 4.6 tonnes, representing a year-on-year increase of 94.4%. As the projects of quality improvement and upgrade completed consecutively, the Group would be well-placed to go on the new track that leads to high-quality development.

Research and development in pursuit of innovation paid off

- Due to significant and continuous enhancement in technology, there was a sharp fall shown in indicators of consumption of primary materials and significant increase in the first-time pass rate of products with special specifications;
- The outcome of development of new products were satisfactory with 3 products with special specifications successfully developed; and

- There were 7 new patents and applications of 2 invention patents.

Breakthrough in market expansion

- As we focused on expanding clientele, we engaged with around 20 new qualified customers during the Reporting Period, who were associated with products along the whole industrial chain. By doing so, the structure of our customer base has been improved with more consolidated clientele;
- We had greater focus on the expansion to the international markets which resulted in an external sales of approximately RMB42.1 million, representing a year-on-year increase of 32.4%. The growth in external sales has remained strong and its share in total sales increased gradually;
- We also endeavored to expand into high-end markets. The sales of high-purity niobium pentoxide amounted to approximately 133.3 tonnes, representing an increase of 66.9% as compared to the corresponding period of last year. The sales of high-purity tantalum pentoxide amounted to approximately 4.8 tonnes, representing an increase of 116.4% as compared to the corresponding period of last year. In addition, bulk supply has become available for a variety of high-end products with special purposes including crystal-grade niobium pentoxide, crystal-grade tantalum pentoxide and special optical glass-grade high-purity niobium pentoxide. We achieved a breakthrough in markets of semiconductor and high-end optical products for the sake of replacing analogous imported products. We also genuinely achieved inclusion of a full range of hydrometallurgical products, which made our products more competitive; and
- We put emphasis on our business layout in pyrometallurgical product market. The number of orders for pyrometallurgical products for the first half of 2021 represents as high as 99.8% of the annual sales for the whole year of 2020. According to the on-hand delivery schedule of products for orders of pyrometallurgical products (as of the end of June 2021), it is estimated that the amount of the pyrometallurgical products delivered in 2021 is about 1.7 times of that in 2020, which laid a solid foundation in advance for the market launch of the Group's two upcoming pyrometallurgical products.

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 periods indicated:

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)		(Unaudited)	
Sales of products	345,643	99.8%	314,959	99.2%
Provision of processing services	858	0.2%	2,437	0.8%
Total	<u>346,501</u>	<u>100.0%</u>	<u>317,396</u>	<u>100.0%</u>

Our total revenue increased by approximately RMB29.1 million or 9.2% from approximately RMB317.4 million for the six months ended 30 June 2020 to approximately RMB346.5 million for the Reporting Period. The increase was mainly due to the increase in revenue generated from sale of products of potassium heptafluorotantalate, partially offset by the decrease in revenue generated from sale of pentoxide products and the provision of processing services.

During the six months ended 30 June 2021 and 2020, our products sold included: (i) pentoxide products (including tantalum pentoxide and niobium pentoxide); (ii) potassium heptafluorotantalate; (iii) recycled products; (iv) trading products; and (v) others. Out of the products we sold, tantalum pentoxide and niobium pentoxide accounted for approximately 50.8% and 77.1% of our total revenue during the six months ended 30 June 2021 and 2020, respectively.

Pentoxide Products

For the Reporting Period, our revenue generated from sale of pentoxide products amounted to approximately RMB175.9 million, representing a decrease of approximately RMB69.2 million or 28.2% from approximately RMB245.1 million for the six months ended 30 June 2020. Such decrease was driven by the decrease in revenue from sale of industrial grade niobium pentoxide and industrial grade tantalum pentoxide.

Potassium Heptafluorotantalate

For the Reporting Period, our revenue generated from sale of potassium heptafluorotantalate amounted to approximately RMB104.3 million, representing an increase of approximately RMB54.6 million or 109.9% from approximately RMB49.7 million for the six months ended 30 June 2020. Such increase was mainly due to the increase in sales volume.

Provision of Processing Services

During the Reporting Period, we provided processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate. For the Reporting Period, our revenue generated from the provision of processing services amounted to approximately RMB0.9 million, representing a decrease of approximately RMB1.5 million or 62.5% from approximately RMB2.4 million for the six months ended 30 June 2020. 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 fuel costs, labour costs and processing fees in respect of our processed products, and inventory costs in respect of our trading products. For the two periods for the six months ended 30 June 2021 and 2020, our cost of sales amounted to approximately RMB268.2 million and RMB222.9 million, respectively.

Our raw materials costs mainly represented the cost for purchasing tantalum ores and niobium ores, and accounted for approximately 84.0% and 90.4% of our total cost of sales for the Reporting Period and the six months ended 30 June 2020, respectively. Our cost of sales increased by approximately RMB45.3 million or 20.3% from approximately RMB222.9 million for the six months ended 30 June 2020 to approximately RMB268.2 million for the Reporting Period. Such increase was mainly attributable to (i) the increase in purchase volume of raw materials which was in line with the increase in our total production volume and total sales volume; and (ii) the increase in raw materials' unit costs.

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB16.2 million or 17.1% from approximately RMB94.5 million for the six months ended 30 June 2020 to approximately RMB78.3 million for the Reporting Period, mainly driven by the decrease in gross profit margin of our product.

Our gross profit margin decreased from approximately 29.8% for the six months ended 30 June 2020 to approximately 22.6% for the Reporting Period. Such decrease during the Reporting Period was mainly attributable to (i) the change in sales mix which led to the decrease in proportion of revenue for the products with higher profit margin; and (ii) the increase in raw materials' unit costs.

Other income and gains, net

Our other income and gains, net primarily comprised government subsidies, bank interest income, net foreign exchange gains, reversal of impairment of trade receivables and inventories. 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 RMB15.2 million from approximately RMB2.8 million for the six months ended 30 June 2020 to approximately RMB18.0 million for the Reporting Period. Such increase was mainly attributable to (i) the increase in reversal of impairment of trade receivables of approximately RMB5.2 million from approximately RMB0.3 million for the six months ended 30 June 2020 to approximately RMB5.5 million for the Reporting Period; and (ii) the increase in reversal of impairment of inventories of approximately RMB5.5 million for the Reporting Period.

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.

Our selling and distribution expenses increased by approximately RMB1.8 million from approximately RMB3.3 million for the six months ended 30 June 2020 to approximately RMB5.1 million for the Reporting Period. Such increase was mainly attributable to (i) the increase in salaries for personnel of our sales and procurement department, and (ii) the increase in delivery and transportation costs.

Administrative expenses

Our administrative expenses primarily comprised expenses for research and development expenses and staff costs of our administrative and management staff.

Our administrative expenses decreased by approximately RMB3.9 million or 11.2% from approximately RMB34.7 million for the six months ended 30 June 2020 to approximately RMB30.8 million for the Reporting Period. Such decrease was mainly attributable to the decrease in legal advisory and professional fees for the Reporting Period.

Our research and development expenses amounted to approximately RMB12.5 million and RMB12.3 million for the Reporting Period and the six months ended 30 June 2020, respectively. Such expenses were primarily used to improve and optimise the production process, especially the extraction production lines in respect of high purity products, and the resource treatment for sewage, to reduce the outflow of sewage and achieve the recycling of resources.

Other expenses

Our other expenses mainly comprised loss in disposal of fixed assets. Our other expenses decreased by approximately RMB0.5 million from approximately RMB0.7 million for the six months ended 30 June 2020 to approximately RMB0.2 million for the Reporting Period. Such decrease was mainly due to the net foreign exchange differences turn from losses to gains for the Reporting Period.

Finance costs

Our finance costs mainly represented interest on interest-bearing bank borrowings. Our finance costs for the Reporting Period and the six months ended 30 June 2020 amounted to approximately RMB4.0 million and RMB3.2 million, respectively. The finance costs increased by approximately RMB0.8 million or 25.0% as comparing to that of last year, mainly as a result of the increase in average interest-bearing bank borrowings outstanding during the Reporting Period.

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 Reporting Period and the six months ended 30 June 2020 amounted to approximately RMB7.0 million and RMB8.8 million, respectively. Our effective tax rate for the Reporting Period and the six months ended 30 June 2020 was approximately 12.5% and 19.9%, respectively. The decrease in our effective tax rate was mainly due to (i) increase in income not subject to tax, and (ii) decrease in expense not deductible for tax. The details are set out in Note 6 to the condensed consolidated financial statements.

Profit for the period

As a result of the foregoing, we recorded net profit for the Reporting Period and the six months ended 30 June 2020 of approximately RMB49.1 million and RMB35.3 million, respectively, representing an increase of approximately RMB13.8 million. Our net profit margin was approximately 14.2% and 11.1% for Reporting Period and the six months ended 30 June 2020, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

During the Reporting Period, we financed our operations by cash generated from operating activities, bank borrowings and net proceeds from the Listing. As at 30 June 2021, we had cash and cash equivalents of approximately RMB180.4 million (as at 31 December 2020: approximately RMB186.4 million). In the future, we intend to finance our operations by cash generated from operating activities, bank borrowings and net 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, net proceeds from the Listing 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

During the Reporting Period, the Group's cash and cash equivalents decreased by approximately RMB6.0 million, which mainly comprised the net cash generated from operating activities with the amount of approximately RMB62.5 million, net cash used in investing activities with the amount of approximately RMB28.7 million, net cash used in financing activities with the amount of approximately RMB40.2 million, and the positive effect of foreign exchange rate changes of approximately RMB0.4 million.

CAPITAL STRUCTURE

Indebtedness

The total indebtedness of the Group as at 30 June 2021 was approximately RMB230.4 million (as at 31 December 2020: approximately RMB265.9 million). During the Reporting Period, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

As at 30 June 2021, the Group's gearing ratio was approximately 8.8% (as at 31 December 2020: 15.2%), calculated as the total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of the relevant period multiplied by 100%. The decrease was mainly due to (i) the decrease in interest-bearing bank borrowings; and (ii) the increase in total equity as at the end of the Reporting Period.

Pledge of assets

As at 30 June 2021, our bank borrowings were secured by the pledge of certain of our Group's leasehold land and property, plant and equipment with aggregate carrying amounts of approximately RMB5.8 million and RMB27.7 million, respectively.

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 aggregate carrying amounts of approximately RMB5.9 million and RMB30.2 million, respectively.

Capital expenditures

Our capital expenditures primarily comprised expenditures for purchases of property, plant and equipment. Our capital expenditures amounted to approximately RMB25.0 million and RMB7.6 million for the Reporting Period and the six months ended 30 June 2020, 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.

Foreign currency exposure

The Group's principal business is located in the PRC and its major transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for certain payables to oversea suppliers, professional parties and certain receivables from overseas customers that are denominated in United States dollars.

The Renminbi is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not made any arrangement to hedge against the exchange rate risk. However, the Directors and management will continue to monitor the foreign exchange exposure and will consider utilising applicable derivatives to hedge out the exchange risk when necessary.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 30 June 2021, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings (as at 31 December 2020: nil).

CAPITAL COMMITMENT

As at 30 June 2021, the Group had capital commitment of approximately RMB165.0 million (as at 31 December 2020: approximately RMB44.0 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 six months ended 30 June 2021, the Group had not made any material acquisition or disposal.

SIGNIFICANT INVESTMENTS

The Company had not held any significant investments during the six months ended 30 June 2021.

Saved as disclosed above, there were no other specific plans for material investments or capital assets as at 30 June 2021.

FUTURE OUTLOOK

Looking ahead, as the Epidemic will continue to affect the society and the economy, it is foreseeable that the industry of both tantalum and niobium will still face serious challenges in the upcoming future. Thanks to the rapid development in industries of new energy vehicles, high-end electronics and superconducting materials, there are increasing demands for new materials such as tantalum and niobium. Meanwhile, as China increased its investment on the R&D for new materials, the innovative applications of tantalum- and niobium-based metallurgical products will increasingly emerge. The Group will focus on the development ideology of “Enhancing the Scale, Optimizing the Structure, and Expanding the Business” to prepare for the increasing future market demands and solidify our industry competitive advantages.

Enhancing the Scale

The Group will continue to enhance the output of hydrometallurgical products, to optimise the entire production process by investing more on research and development, and to improve production efficiency. Apart from that, the Group also strives for further optimizing our technology, with particular focus on strengthening our capability to process intractable and complicated raw materials such as tantalum ores, ferro niobium tantalum alloy and hard alloy waste materials, so as to maintain our leading position in the industry. As the Group accelerates its development of cooperative projects with China Nuclear Huachuang Rare Materials Co., Ltd. (中核華創稀有材料有限公司) to expand the production capacity of hydrometallurgical products, the Group will further consolidate its leading position in terms of the production scale of hydrometallurgical products.

Optimising the Structure

For the purpose of expediting the completion of projects on quality improvement and upgrade, the Group will endeavor to expand the output of high value-added products such as high-purity niobium pentoxide, high-purity tantalum pentoxide and high-purity products with specific purposes, thereby the product structure can be lifted to a more high-end level and high quality development can be promoted. At the same time, the Group will further increase its investment in marketing resources for overseas and exert all efforts to engage with promising overseas customers and set up sales offices in the US and Europe as and when appropriate. By which we can enjoy better and more direct interaction with oversea users and gradually increase the shares of overseas sales in total sales. Besides, as application of our products in downstream markets keeps changing and extending, there are higher requirements for new varieties and new properties of tantalum and niobium. As such, the Group will expand its investment in R&D with a view to keeping up with the market and adopting more innovative production processes for developing more products that align for the market demand.

Expanding business footprint on different industries

We will exert every effort to develop our projects of pyrometallurgical products in downstream industries to ensure that both pyrometallurgical project projects, namely Tsinghua Park Project and Guizhou Project, can be completed on schedule. The main products of these two projects comprise

tantalum powder, tantalum bars, niobium bars and niobium ingots. Upon the completion of the aforementioned projects, the business layout of the Group will be further expanded and established with product lines that are more diversified and reasonably deployed. The pyrometallurgical product projects will also unleash more benefits for the Group, which will in turn enhance the Group's overall competitiveness.

As the uncertain economic situation at present, the Group will continue to maintain strategic stability, adopt solid operation strategies, consistently improve our Group's governance level and risk prevention capability, create long-term values for our shareholders, and achieve our Group's mission of "developing rare resources, and creating a better world".

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 programmes to our employees, including, among others, introductory training, safety training and technical training, to enhance their skill and knowledge. As at 30 June 2021, the Group had a total of 261 employees.

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 interim dividend for the six months ended 30 June 2021 (2020: nil).

OTHER INFORMATION

PRINCIPAL ACTIVITIES

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

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 Holding Limited ("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.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the Reporting Period 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 Listing Rules.

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

During the Reporting Period 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.

GOING CONCERN

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

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 MACRO-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 Rare Materials Co., Ltd. (中核華創稀有材料有限公司) (“China Nuclear Huachuang”) entered a cooperation agreement (the “Cooperation Agreement”).

Pursuant to the Cooperation Agreement, Ximei Guangdong and China Nuclear Huachuang shall inject capital to China Nuclear Huazhong New Materials Co., Ltd, a company established in the PRC and owned as to 45% by Ximei Guangdong and 55% by China Nuclear Huachuang (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.

USE OF NET 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 30 June 2021, the Group had used net proceeds of approximately RMB46.8 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 of the Company dated 26 February 2020 (“Prospectus”) as at 30 June 2021:

		Planned use of proceeds as disclosed in the Prospectus (RMB million)	Actual utilised amount as at 30 June 2021 (RMB million)	Unutilised amount as at 30 June 2021 (RMB million)
	<i>%</i>			
Construction of new production facilities to produce tantalum powder and bars	28.9%	26.8	19.7	7.1
Acquisition and installing of machinery and equipment to produce tantalum powder and bars	36.0%	33.4	4.0	29.4
Other expenses for setting up the new production facilities	3.9%	3.6	1.1	2.5
Financing five research and development projects	17.9%	16.6	11.7	4.9
Strengthening the sales network in Europe and sourcing channels in Brazil	3.5%	3.2	1.2	2.0
General working capital	<u>9.8%</u>	<u>9.1</u>	<u>9.1</u>	<u>—</u>
Total	<u>100.0%</u>	<u>92.7</u>	<u>46.8</u>	<u>45.9</u>

The unutilised amount of net proceeds of approximately RMB45.9 million is expected to be completely utilised by June 2022.

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 practises with reference to local and international standards.

During the Reporting Period and up to the date of this announcement, 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 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 Reporting Period and up to the date of this announcement.

REVIEW BY AUDIT COMMITTEE

We have established an audit committee (the “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 financial information in this interim results announcement has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited financial statements, this interim results announcement and the interim report of the Company for the six months ended 30 June 2021 with the management of the Group and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements in this interim results announcement complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

There is no material event after the Reporting Period as at the date of this announcement.

DISCLOSURE OF INFORMATION

The interim results announcement for the six months ended 30 June 2021 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.ximeigroup.com>). The interim report for 2021 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.ximeigroup.com>) under “Investor Relations”.

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

Hong Kong, 30 August 2021

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