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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

RESULTS HIGHLIGHTS

- Revenue increased by 26.9% to approximately RMB763.7 million (2020: RMB601.7 million).
- Gross profit increased by 19.0% to approximately RMB205.5 million (2020: RMB172.7 million).
- Gross profit margin decreased by 1.8% points to 26.9% (2020: 28.7%).
- Profit before taxation increased by 36.0% to approximately RMB118.6 million (2020: RMB87.2 million).
- Profit for the year increased by 45.2% to approximately RMB102.1 million (2020: RMB70.3 million).
- Basic earnings per share increased by 36.0% to approximately RMB0.34 (2020: RMB0.25).
- The Board did not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: 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 2021 (the “**Year Under Review**”) and selected explanatory notes, together with the comparative figures of the corresponding year in 2020 as follows:

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

| | <i>Notes</i> | 2021 RMB’000 | 2020 <i>RMB’000</i> |
|--|--------------|-------------------------------|------------------------|
| REVENUE | 4 | 763,725 | 601,652 |
| Cost of sales | | <u>(558,205)</u> | <u>(429,002)</u> |
| Gross profit | | 205,520 | 172,650 |
| Other income and gains, net | 5 | 11,891 | 27,573 |
| Selling and distribution expenses | | (12,719) | (8,392) |
| Administrative expenses | | (83,665) | (72,691) |
| Listing expenses | | – | (11,468) |
| Other operating income/(expenses) | | 9,305 | (12,486) |
| Finance costs | 6 | <u>(11,782)</u> | <u>(8,022)</u> |
| PROFIT BEFORE TAX | 7 | 118,550 | 87,164 |
| Income tax expense | 8 | <u>(16,485)</u> | <u>(16,855)</u> |
| PROFIT FOR THE YEAR | | <u>102,065</u> | <u>70,309</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic (<i>in RMB</i>) | 9 | <u>0.34</u> | <u>0.25</u> |

Consolidated Statement of Comprehensive Income
Year ended 31 December 2021

| | 2021 | 2020 |
|---|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| PROFIT FOR THE YEAR | <u>102,065</u> | <u>70,309</u> |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | <u>(880)</u> | <u>131</u> |
| 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 | <u>(170)</u> | <u>(666)</u> |
| OTHER COMPREHENSIVE LOSS FOR THE YEAR | <u>(1,050)</u> | <u>(535)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>101,015</u> | <u>69,774</u> |

Consolidated Statement of Financial Position

31 December 2021

| | <i>Notes</i> | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 164,798 | 95,557 |
| Right-of-use assets | | 48,838 | 24,342 |
| Investments in associates | | 41,813 | – |
| Prepayments and deposit | | 76,520 | 13,318 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 331,969 | 133,217 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Inventories | | 255,832 | 269,158 |
| Trade and bills receivables | <i>10</i> | 130,122 | 150,469 |
| Prepayments, deposits and other receivables | | 194,513 | 114,438 |
| Cash and cash equivalents | | 169,939 | 186,378 |
| | | <hr/> | <hr/> |
| Total current assets | | 750,406 | 720,443 |
| | | <hr/> | <hr/> |
| CURRENT LIABILITIES | | | |
| Trade payables | <i>11</i> | 13,621 | 6,321 |
| Other payables and accruals | | 55,093 | 46,110 |
| Interest-bearing bank borrowings | | 325,301 | 236,144 |
| Lease liabilities | | 11,979 | 1,213 |
| Tax payables | | 16,498 | 10,370 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 422,492 | 300,158 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 327,914 | 420,285 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 659,883 | 553,502 |
| | | <hr/> | <hr/> |

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|----------------------------------|--------------------------------------|------------------------|
| NON-CURRENT LIABILITIES | | |
| Interest-bearing bank borrowings | 19,824 | 29,786 |
| Lease liabilities | 17,282 | 1,954 |
| | <hr/> | <hr/> |
| Total non-current liabilities | 37,106 | 31,740 |
| | <hr/> | <hr/> |
| Net assets | 622,777 | 521,762 |
| | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | |
| Share capital | 2,712 | 2,712 |
| Reserves | 620,065 | 519,050 |
| | <hr/> | <hr/> |
| Total equity | 622,777 | 521,762 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes to the Consolidated Financial Statements

31 December 2021

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands under the Companies Law (2010 Revision) of 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 holding company and the 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 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 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 Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021. 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 following revised HKFRSs for the first time for the current year's consolidated financial statements.

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

Interest Rate Benchmark Reform – Phase 2

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

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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*

| | 2021 | 2020 |
|--------------------|-----------------------|----------------|
| | RMB'000 | RMB'000 |
| The PRC | 655,821 | 525,426 |
| The United States | 58,029 | 42,548 |
| European countries | 25,845 | 22,187 |
| Others | 24,030 | 11,491 |
| | <u>763,725</u> | <u>601,652</u> |

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

(b) *Non-current assets*

| | 2021 | 2020 |
|---------|-----------------------|----------------|
| | RMB'000 | RMB'000 |
| The PRC | 330,889 | 132,537 |
| Others | 1,080 | 680 |
| | <u>331,969</u> | <u>133,217</u> |

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:

| | 2021 | 2020 |
|-------------|-----------------------|---------------|
| | RMB'000 | RMB'000 |
| Customer A* | – | 176,203 |
| Customer B | 114,494 | 89,091 |
| | <u>114,494</u> | <u>89,091</u> |

* During the year, revenue derived from Customer A accounted for less than 10% of the Group's revenue.

4. REVENUE

An analysis of revenue is as follows:

| | 2021 | 2020 |
|--|-----------------------|----------------|
| | RMB'000 | RMB'000 |
| Revenue from contracts with customers | | |
| Sale of products | 684,617 | 595,857 |
| Provision of processing services | 79,108 | 5,795 |
| | <u>763,725</u> | <u>601,652</u> |

(i) Disaggregated revenue information

| | 2021 | 2020 |
|--------------------------------------|-----------------------|----------------|
| | RMB'000 | RMB'000 |
| Types of goods or services | | |
| Sale of products | 684,617 | 595,857 |
| Provision of processing services | 79,108 | 5,795 |
| | <u>763,725</u> | <u>601,652</u> |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | 684,617 | 595,857 |
| Services rendered over time | 79,108 | 5,795 |
| | <u>763,725</u> | <u>601,652</u> |

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:

| | 2021 | 2020 |
|--|---------------------|--------------|
| | RMB'000 | RMB'000 |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Sale of products | 1,555 | 1,239 |
| | <u>1,555</u> | <u>1,239</u> |

(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 the completion 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 2021 (2020: Nil).

5. OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net is as follows:

| | 2021 | 2020 |
|---------------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Other income | | |
| Bank interest income | 1,277 | 1,268 |
| Government grants* | 5,762 | 14,616 |
| | 7,039 | 15,884 |
| Gains, net | | |
| Foreign exchange differences, net | 2,590 | 10,985 |
| Reversal of long outstanding payables | 2,055 | – |
| Others | 207 | 704 |
| | 4,852 | 11,689 |
| | 11,891 | 27,573 |

* 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.

6. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2021 | 2020 |
|-------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Interest on bank loans | 13,215 | 10,272 |
| Interest on lease liabilities | 445 | 189 |
| | 13,660 | 10,461 |
| Less: Interest capitalised* | (1,878) | (2,439) |
| | 11,782 | 8,022 |

* Interest expenses was capitalised for the construction in progress.

7. PROFIT BEFORE TAX

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

| | 2021 | 2020 |
|---|----------------|----------|
| | RMB'000 | RMB'000 |
| Cost of inventories sold | 558,205 | 429,002 |
| Depreciation of property, plant and equipment | 12,752 | 12,270 |
| Depreciation of right-of-use assets | 5,769 | 1,793 |
| Research and development costs | 29,762 | 24,005 |
| Lease payments not included in the measurement of lease liabilities | 56 | – |
| Auditors' remuneration | 1,831 | 1,636 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | |
| Wages and salaries | 49,428 | 37,035 |
| Pension scheme contributions* | 6,162 | 4,814 |
| | 55,590 | 41,849 |
| Loss on disposal of items of property, plant and equipment | 1,609 | 363 |
| (Reversal of)/impairment of trade receivables | (5,933) | 6,925 |
| (Write-back)/provision of inventories | (5,545) | 4,852 |
| Foreign exchange differences, net | (2,590) | (10,985) |

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. 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%.

Tax on profits assessable in the Mainland China has been calculated at the applicable PRC corporate income tax (“CIT”) rate of 25% during the year (2020: 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% (2020: 15%).

| | 2021 | 2020 |
|-------------------------------|----------------------|---------------|
| | RMB'000 | RMB'000 |
| Current – Hong Kong | | |
| Charge for the year | <u>3,534</u> | <u>3,662</u> |
| Current – The PRC | | |
| Charge for the year | 11,224 | 13,193 |
| Underprovision in prior year | <u>1,727</u> | <u>–</u> |
| | <u>12,951</u> | <u>13,193</u> |
| Total tax charge for the year | <u>16,485</u> | <u>16,855</u> |

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 300,000,000 (2020: 285,410,959) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

10. TRADE AND BILLS RECEIVABLES

| | 2021 | 2020 |
|-------------------|-----------------------|-----------------------|
| | RMB'000 | RMB'000 |
| Trade receivables | 103,528 | 107,401 |
| Less: Impairment | <u>(992)</u> | <u>(6,925)</u> |
| | 102,536 | 100,476 |
| Bills receivables | <u>27,586</u> | <u>49,993</u> |
| | <u>130,122</u> | <u>150,469</u> |

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. 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:

| | 2021 | 2020 |
|----------------|-----------------------|-----------------------|
| | RMB'000 | RMB'000 |
| Within 1 month | 84,864 | 72,231 |
| 1 to 2 months | 27,593 | 11,500 |
| 2 to 3 months | 12,184 | 13,561 |
| Over 3 months | <u>5,481</u> | <u>53,177</u> |
| | <u>130,122</u> | <u>150,469</u> |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | 2021 | 2020 |
|---------------------------------|-------------------|--------------|
| | RMB'000 | RMB'000 |
| At beginning of year | 6,925 | – |
| (Reversal of)/impairment losses | <u>(5,933)</u> | <u>6,925</u> |
| At end of year | <u>992</u> | <u>6,925</u> |

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.

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:

| | 2021 | 2020 |
|----------------|----------------------|--------------|
| | RMB'000 | RMB'000 |
| Within 1 month | 9,218 | 4,122 |
| 1 to 2 months | 3,572 | 1,072 |
| 2 to 3 months | 412 | 1,007 |
| Over 3 months | <u>419</u> | <u>120</u> |
| | <u>13,621</u> | <u>6,321</u> |

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

12. DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Product mix continued to be optimised with significant growth in external sales

The Group's product mix continued to be optimised with a year-on-year increase of 54.0% in the production of high-purity products, reaching a new high. Production of high-purity niobium and tantalum accounted for 16.7% of total production, an increase of 63.0% year-on-year compared to 2020, resulting in a more optimised product mix. Sales of high-purity niobium pentoxide increased by 53.5% year-on-year; electronic-grade niobium pentoxide increased by 10.7%; and crystal-grade niobium pentoxide increased by 130.0%. In 2021, the Group's overseas sales reached approximately RMB107.9 million, representing a year-on-year increase of 41.6% and accounting for 14.1% of the total revenue.

Meanwhile, the Group has commenced sales of ferroniobium, tantalum bars and tantalum rods produced by Ximei Guizhou Company, its pyrometallurgical production base, successfully achieving a vertical extension of the tantalum niobium chain.

Progress was made in various projects

In 2021, various projects of the Group were carried out simultaneously and achieved different levels of progress respectively. In particular, the “Project of Production of High-purity and High-performance Tantalum- and Niobium-based New Materials with an Annual Capacity of 1,500 Tonnes” in Guizhou was completed in stages and put into production, realising construction, production and sales in the same year. The “Project of production of high-purity and high-performance tantalum- and niobium-based metal new materials with an annual capacity of 600 Tonnes” will soon enter the trial operation stage. A joint venture was established with China Nuclear Huachuang Rare Materials Co., Ltd. (中核華創稀有材料有限公司) and launched the “Project of production of tantalum pentoxide with an annual capacity of 1,000 tonnes”. In 2021, the Group made considerable progress in its tantalum and niobium pyrometallurgical project, laying a good foundation for the Group’s future strategic development.

Steady progress in research, development and innovation, and continuous improvement in management

The Group also achieved promising results in research, development and innovation. In terms of research, development and innovation, twelve patents were granted, three new products of tantalum and niobium alkoxide were developed, and ammonia consumption was reduced through technical transformation and process optimization. In terms of equipment advancement, automated control was achieved for feeding decomposition and niobium liquid neutralisation processes. There were no safety production accidents at average level or above throughout the year.

The Group achieved remarkable results and received numerous capital market awards

In 2021, the Company was recognised as the “Most Valuable Listed Company in the 14th Five-Year Plan Period under the Chinese Securities Golden Bauhinia Awards” and the “Best Energy and Resources Company”, demonstrating the Group’s strength as a globally leading manufacturer of tantalum-and niobium-based metallurgical products and its investment value, as well as the high recognition of the Group’s development by the capital market, which was a great encouragement to the Group. The Group will stay true to its original mission and continue to strive for excellence in the future to reward our Shareholders and investors with even better results.

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 | | | |
|----------------------------------|--------------------------------|----------------------|-----------------------|----------------------|
| | 2021 | | 2020 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Sale of manufacturing goods | 597,371 | 78.2% | 580,395 | 96.5% |
| Sale of trading goods | 87,246 | 11.4% | 15,462 | 2.6% |
| Provision of processing services | 79,108 | 10.4% | 5,795 | 1.0% |
| Total revenue | <u>763,725</u> | <u>100.0%</u> | <u>601,652</u> | <u>100.0%</u> |

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

| | For the year ended 31 December | | | |
|---------------------------------------|--------------------------------|----------------------|-----------------------|----------------------|
| | 2021 | | 2020 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Pentoxide products | 412,899 | 54.1% | 422,462 | 70.2% |
| Tantalum pentoxide | | | | |
| – Industrial grade tantalum pentoxide | 122,096 | 16.0% | 128,536 | 21.4% |
| – High-purity tantalum pentoxide | 17,282 | 2.3% | 4,570 | 0.8% |
| Niobium pentoxide | | | | |
| – Industrial grade niobium pentoxide | 199,889 | 26.2% | 246,510 | 41.0% |
| – High-purity niobium pentoxide | 73,632 | 9.6% | 42,846 | 7.1% |
| Potassium heptafluorotantalate | 172,512 | 22.6% | 97,499 | 16.2% |
| Recycled products | 76,717 | 10.0% | 20,648 | 3.4% |
| Others | 101,597 | 13.3% | 61,043 | 10.1% |
| Total revenue | <u>763,725</u> | <u>100.0%</u> | <u>601,652</u> | <u>100.0%</u> |

During the two years ended 31 December 2021 and 2020, 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 54.1% and 70.3% of our total revenue for the two years ended 31 December 2021 and 2020, respectively.

The Group's revenue increased by approximately RMB162.0 million or 26.9% from approximately RMB601.7 million for the year ended 31 December 2020 to approximately RMB763.7 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 recycled products, while partially offset by the decrease in revenue generated from sale of pentoxide products.

Pentoxide Products

For the Year Under Review, our revenue generated from sale of pentoxide products amounted to approximately RMB412.9 million, representing a decrease of approximately RMB9.6 million or 2.3% from approximately RMB422.5 million for the year ended 31 December 2020. Such decrease was driven by the decrease in revenue from sale of industrial grade niobium pentoxide of approximately RMB46.6 million, while partially offset by the increase in revenue from sale of high-purity niobium pentoxide of approximately RMB30.8 million.

Potassium Heptafluorotantalate

For the Year Under Review, our revenue generated from sale of potassium heptafluorotantalate amounted to approximately RMB172.5 million, representing an increase of approximately RMB75.0 million or 76.9% from approximately RMB97.5 million for the year ended 31 December 2020. 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 2020 of approximately RMB20.6 million to the Year Under Review of approximately RMB76.7 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 2020.

Others

For the two years ended 31 December 2021 and 2020, 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 RMB101.6 million, representing an increase of approximately RMB40.6 million or 66.6% from approximately RMB61.0 million for the year ended 31 December 2020.

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 2021, our revenue generated from the provision of processing services amounted to approximately RMB79.1 million, representing an increase of approximately RMB73.3 million or 1,263.8% from approximately RMB5.8 million for the year ended 31 December 2020. Such increase was mainly due to the significant 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 2021 and 2020, our cost of sales amounted to approximately RMB558.2 million and RMB429.0 million, respectively. The following table sets forth the breakdown of our cost of sales for the years indicated:

| | For the year ended 31 December | | | |
|------------------------|---------------------------------------|----------------------|-----------------------|----------------------|
| | 2021 | | 2020 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Raw materials | 503,078 | 90.1% | 384,068 | 89.5% |
| Factory overheads | 26,465 | 4.7% | 21,005 | 4.9% |
| Electricity and fuels | 9,636 | 1.8% | 8,586 | 2.0% |
| Labour (<i>Note</i>) | 9,589 | 1.7% | 9,678 | 2.3% |
| Processing fee | 9,437 | 1.7% | 5,665 | 1.3% |
| Total cost of sales | <u>558,205</u> | <u>100.0%</u> | <u>429,002</u> | <u>100.0%</u> |

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

Our raw materials costs mainly represented the cost for purchasing tantalum ores and niobium ores, and accounted for approximately 90.1% and 89.5% of our total cost of sales for the Year Under Review and the year ended 31 December 2020, respectively. Our cost of sales increased by approximately RMB129.2 million or 30.1% from approximately RMB429.0 million for the year ended 31 December 2020 to approximately RMB558.2 million for the Year Under Review. Such increase was mainly attributable to the increase in sales volume and average unit cost for purchasing tantalum ores and niobium ores for the Year Under Review.

Gross profit and gross profit margin

The Group's gross profit increased by approximately RMB32.8 million or 19.0% from approximately RMB172.7 million for the year ended 31 December 2020 to approximately RMB205.5 million for the Year Under Review, mainly driven by the increase in our revenue.

Our gross profit margin decreased from approximately 28.7% for the year ended 31 December 2020 to approximately 26.9% for the Year Under Review. Such decrease during the Year Under Review was mainly to the increase in our cost of sales, in particular the cost of raw materials.

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 | | | |
|-------------------------------------|---------------------------------------|----------------------|-----------------------|----------------------|
| | 2021 | | 2020 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Government grants | 5,762 | 48.5% | 14,616 | 53.0% |
| Bank interest income | 1,277 | 10.7% | 1,268 | 4.6% |
| Foreign exchange difference, net | 2,590 | 21.8% | 10,985 | 39.8% |
| Others | 2,262 | 19.0% | 704 | 2.6% |
| Total other income and gains | <u>11,891</u> | <u>100.0%</u> | <u>27,573</u> | <u>100.0%</u> |

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 decreased by approximately RMB15.7 million or 56.9% from approximately RMB27.6 million for the year ended 31 December 2020 to approximately RMB11.9 million for the Year Under Review. Such decrease was mainly attributable to the decrease in government grants of approximately RMB8.8 million from approximately RMB14.6 million for the year ended 31 December 2020 to approximately RMB5.8 million for the Year Under Review. Besides, the Group's foreign exchange difference, net decreased by approximately RMB8.4 million or 76.4% from approximately RMB11.0 million for the year ended 31 December 2020 to approximately RMB2.6 million for the year ended 31 December 2021.

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 | | | |
|---|--------------------------------|---------------|----------------|---------------|
| | 2021 | | 2020 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Distribution costs | 3,148 | 24.7% | 2,789 | 33.2% |
| Staff costs | 6,353 | 49.9% | 2,598 | 31.0% |
| Consultation fees | 2,224 | 17.5% | 2,395 | 28.5% |
| Travelling and entertainment expenses | 458 | 3.6% | 277 | 3.3% |
| Advertising and promotion expenses | 37 | 0.3% | – | – |
| Office expenses | 76 | 0.6% | 89 | 1.1% |
| Others | 423 | 3.3% | 244 | 2.9% |
| Total selling and distribution expenses | <u>12,719</u> | <u>100.0%</u> | <u>8,392</u> | <u>100.0%</u> |

The Group's selling and distribution expenses increased by approximately RMB4.3 million or 51.2% from approximately RMB8.4 million for the year ended 31 December 2020 to approximately RMB12.7 million for the Year Under Review. Such increase was mainly attributable to the increase in staff costs of approximately RMB3.8 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 | | | |
|---------------------------------------|--------------------------------|---------------|---------------|---------------|
| | 2021 | | 2020 | |
| | RMB'000 | % | RMB'000 | % |
| Research and development expenses | 29,762 | 35.6% | 24,005 | 33.0% |
| Staff costs | 26,932 | 32.2% | 22,551 | 31.0% |
| Other tax expenses | 3,005 | 3.6% | 2,606 | 3.6% |
| Legal advisory and professional fees | 4,042 | 4.8% | 6,356 | 8.7% |
| Depreciation and amortisation | 5,460 | 6.5% | 4,426 | 6.1% |
| Travelling and entertainment expenses | 1,149 | 1.4% | 928 | 1.3% |
| Bank charges | 1,775 | 2.1% | 2,422 | 3.3% |
| Others (<i>Note</i>) | 11,540 | 13.8% | 9,397 | 13.0% |
| Total administrative expenses | <u>83,665</u> | <u>100.0%</u> | <u>72,691</u> | <u>100.0%</u> |

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 RMB11.0 million or 15.1% from approximately RMB72.7 million for the year ended 31 December 2020 to approximately RMB83.7 million for the Year Under Review. Such increase was mainly attributable to (i) the increase in staff costs of approximately RMB4.3 million from approximately RMB22.6 million for the year ended 31 December 2020 to approximately RMB26.9 million for the Year Under Review; and (ii) the increase in other administrative expenses of approximately RMB2.1 million from approximately RMB9.4 million for the year ended 31 December 2020 to approximately RMB11.5 million for the Year Under Review.

The Group's research and development expenses amounted to approximately RMB29.8 million and RMB24.0 million for the Year Under Review and the year ended 31 December 2020, 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 operating income/(expenses)

For the Year Under Review, the Group's other operating income of approximately RMB9.3 million mainly comprised the write-back of provision for impairment of trade receivables of approximately RMB5.9 million and the write-back of inventories of approximately RMB5.5 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 | |
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Finance costs on interest-bearing bank borrowings | 13,215 | 10,272 |
| Interest on lease liabilities | 445 | 189 |
| Less: interest capitalised | <u>(1,878)</u> | <u>(2,439)</u> |
| Total net finance costs | <u>11,782</u> | <u>8,022</u> |

Our finance costs on interest-bearing bank borrowings before capitalisation for the Year Under Review and the year ended 31 December 2020 amounted to approximately RMB13.2 million and RMB10.3 million, respectively. For the Year Under Review and the year ended 31 December 2020, we capitalised interest of approximately RMB1.9 million and RMB2.4 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 2020 amounted to approximately RMB11.8 million and RMB8.0 million, respectively.

Income tax expense

Ximei Resources (Guangdong) Limited was accredited as a high and new technology enterprise (高新技術企業), which allows 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 13% for our export sales of tantalum bars.

Our income tax expense for the Year Under Review and the year ended 31 December 2020 amounted to approximately RMB16.5 million and RMB16.9 million, respectively. Our effective tax rate for the Year Under Review and the year ended 31 December 2020 was approximately 13.9% and 19.3%, respectively. The decrease in our effective tax rate was mainly due to decrease in expense not deductible for tax.

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 2020 of approximately RMB102.1 million and RMB70.3 million, respectively, representing an increase of approximately RMB31.8 million or 45.2%. Our net profit margin was approximately 13.4% and 11.7% for Year Under Review and the year ended 31 December 2020, 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 and office equipment; (iv) motor vehicles; and (v) construction in progress.

The carrying amount of our property, plant and equipment increased by approximately RMB69.2 million from approximately RMB95.6 million as at 31 December 2020 to approximately RMB164.8 million as at 31 December 2021. 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 right-of-use assets increased from approximately RMB24.3 million as at 31 December 2020 to approximately RMB48.8 million as at 31 December 2021.

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 | |
|--|-------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Raw materials | 143,203 | 184,069 |
| Work in progress | 59,554 | 36,669 |
| Finished goods | 53,075 | 48,420 |
| Total inventories | <u>255,832</u> | <u>269,158</u> |
| Average inventories (<i>Note 1</i>) | 262,495 | 199,519 |
| Average inventories to revenue from sale of products (<i>Note 2</i>) | 34.4% | 33.2% |

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 RMB255.8 million and RMB269.2 million as at 31 December 2021 and 2020, respectively. Our average inventories increased from approximately RMB199.5 million as at 31 December 2020 to approximately RMB262.5 million as at 31 December 2021, such increase was mainly due to the increase in raw materials. Our average inventories to revenue from sale of products was approximately 34.4% and 33.2% for the year ended 31 December 2021 and 2020, respectively.

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

| | For the year ended | |
|---|---------------------------|---------------|
| | 31 December | |
| | 2021 | 2020 |
| | <i>(Days)</i> | <i>(Days)</i> |
| Average inventory turnover days <i>(Note)</i> | <u>171.6</u> | <u>169.8</u> |

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 169.8 days for the year ended 31 December 2020 to 171.6 days for the Year Under Review. The increase was mainly due to the increase of our average inventories for the year ended 31 December 2021.

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 | |
|---|-------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Trade receivables | 103,528 | 107,401 |
| Less: Impairment | (992) | (6,925) |
| | <u>102,536</u> | <u>100,476</u> |
| Bills receivables | 27,586 | 49,993 |
| | <u>130,122</u> | <u>150,469</u> |
| Average trade and bills receivables (Note 1) | 140,296 | 159,814 |
| Average trade and bills receivables to total revenue (Note 2) | 18.4% | 26.6% |

Notes:

- (1) Represents the average of trade and bills receivables as at 31 December of the previous year and 31 December of the current year.
- (2) Represents the average of trade and bills receivables divided by total revenue for the relevant year.

Our trade and bills receivables decreased from approximately RMB150.5 million as at 31 December 2020 to approximately RMB130.1 million as at 31 December 2021. 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 | |
|-----------------------------------|--------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 30 days | 84,864 | 72,231 |
| 31 days to 60 days | 27,593 | 11,500 |
| 61 days to 90 days | 12,184 | 13,561 |
| Over 90 days | 5,481 | 53,177 |
| | <u>130,122</u> | <u>150,469</u> |
| Total trade and bills receivables | <u>130,122</u> | <u>150,469</u> |

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. The expected credit loss for trade receivables as at 31 December 2021 and 2020 was approximately RMB1.0 million and RMB6.9 million, respectively. 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 | |
| | 2021 | 2020 |
| | <i>(Days)</i> | <i>(Days)</i> |
| Average turnover days of trade and bills receivables | | |
| <i>(Note)</i> | <u>67.1</u> | <u>97.0</u> |

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 decreased from 97.0 days for the year ended 31 December 2020 to 67.1 days for the Year Under Review. The decrease was mainly due to the decrease of our trade and bills receivables over 90 days as at 31 December 2021.

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 | |
|---|--------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Prepayments – Non-current | <u>76,520</u> | <u>13,318</u> |
| Prepayments – Current | 139,602 | 81,392 |
| Deposits and other receivables | <u>54,911</u> | <u>33,046</u> |
| Total prepayments, deposits and other receivables | <u>194,513</u> | <u>114,438</u> |

Our prepayments, deposits and other receivables increased from approximately RMB114.4 million as at 31 December 2020 to approximately RMB194.5 million as at 31 December 2021, mainly driven by the increase in prepayment.

Trade payables

Our trade payables increased from approximately RMB6.3 million as at 31 December 2020 to approximately RMB13.6 million as at 31 December 2021 mainly due to the increase in purchase near the end of 2021. The following is an ageing analysis of trade payables, based on the invoice date, as at balance sheet dates indicated:

| | As at 31 December | |
|----------------------|-------------------|--------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Within 30 days | 9,218 | 4,122 |
| 31 days to 60 days | 3,572 | 1,072 |
| 61 days to 90 days | 412 | 1,007 |
| Over 90 days | 419 | 120 |
| | <u>13,621</u> | <u>6,321</u> |
| Total trade payables | <u>13,621</u> | <u>6,321</u> |

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:

| | As at 31 December | |
|--|-------------------|-------------|
| | 2021 | 2020 |
| | (Days) | (Days) |
| Average turnover days of trade payables (Note) | <u>6.5</u> | <u>10.0</u> |

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 10.0 days for the year ended 31 December 2020 to 6.5 days for the Year Under Review, mainly because the increase in cost of sales for the year ended 31 December 2021.

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. 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 | |
|-----------------------------------|----------------------|----------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Accruals | 30,957 | 25,426 |
| Deferred income | 6,518 | 9,089 |
| Contract liabilities | 2,215 | 1,555 |
| Other payables | 15,403 | 10,040 |
| | <hr/> | <hr/> |
| Total other payables and accruals | <u>55,093</u> | <u>46,110</u> |

Our other payables and accruals increased from approximately RMB46.1 million as at 31 December 2020 to approximately RMB55.1 million as at 31 December 2021. 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 75.1% and 80.1% of our total liabilities as at 31 December 2021 and 31 December 2020, 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 | |
|-----------------------|-------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current | 19,824 | 29,786 |
| Current | 325,301 | 236,144 |
| Total bank borrowings | 345,125 | 265,930 |

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 | |
|-----------------------|-------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Secured | 83,817 | 38,798 |
| Unsecured | 261,308 | 227,132 |
| Total bank borrowings | 345,125 | 265,930 |

As at 31 December 2021, 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 RMB5.8 million (31 December 2020: RMB5.9 million) and RMB25.2 million (31 December 2020: RMB30.2 million), respectively.

Our total bank borrowings increased from approximately RMB265.9 million as at 31 December 2020 to approximately RMB345.1 million as at 31 December 2021. 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 2021, we had cash and cash equivalents of approximately RMB169.9 million (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 proceeds from the listing of our Company on the Main Board of The Stock Exchange of Hong Kong.

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 decreased by approximately RMB16.5 million, which mainly comprised the net cash flows from operating activities with the amount of approximately RMB48.8 million, net cash flows used in investing activities with the amount of approximately RMB122.3 million, net cash flows from financing activities with the amount of approximately RMB61.8 million, and the foreign exchange loss of approximately RMB4.8 million.

CAPITAL STRUCTURE

Indebtedness

The total indebtedness of the Group as at 31 December 2021 was approximately RMB374.4 million (31 December 2020: approximately RMB269.1 million). During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

As at 31 December 2021, the Group's gearing ratio was approximately 28.1% (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 year multiplied by 100%. The increase was mainly due to an increase in interest-bearing bank borrowings.

Pledge of assets

As at 31 December 2021, 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 RMB5.8 million (31 December 2020: RMB5.9 million) and RMB25.2 million (31 December 2020: 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 RMB83.6 million and RMB19.0 million for the Year Under Review and the year ended 31 December 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.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

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

CAPITAL COMMITMENT

As at 31 December 2021, the Group had capital commitments of approximately RMB144.9 million (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 year ended 31 December 2021, 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 2021.

FUTURE OUTLOOK

Despite the resurgence of the pandemic and the complex, challenging and uncertain external environment in 2022, we are committed to doing our part no matter how the international environment changes. In particular, we will (i) diligently carry out production, increase production volume and complete the annual production tasks with outstanding performance; (ii) refine quality control, continuously optimise and improve the overall quality control system; (iii) carry out in-depth market exploration, build a healthy industry ecosystem of co-creation, sharing and win-win situation, and establish a reputation of integrity; (iv) complete project construction with high quality and high efficiency; (v) create a high-level research and development system driven by innovation in a market-oriented approach; and (vi) build a talent pool to meet the needs of strategic objectives.

This is a time of crisis, but also an era of opportunities. As the proud members of such a respectable enterprise, we will take on challenges and assume responsibility with courage, make optimisation and improvement, and create value by following the trend, thereby moving forward to become a globally leading manufacturer of tantalum- and niobium-based metallurgical products.

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 skills and knowledge. As at 31 December 2021, the Group had a total of 261 employees (2020: 260 employees), total staff cost for the Year Under Review amounted to approximately RMB55.6 million (2020: approximately RMB41.8 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 2021 (2020: 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 Tuesday, 31 May 2022, the register of members of the Company will be closed from Thursday, 26 May 2022 to Tuesday, 31 May 2022 (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 Wednesday, 25 May 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 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, during the Year Under Review 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 Year Under Review 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 2021 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 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 events after the reporting period as at the date of this announcement.

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 2021 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 2021 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 2021 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 2022

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.