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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 2022

FINANCIAL HIGHLIGHTS

	Six Months ended 30 June		% Changes Increase/ (decrease)
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	
Financial Highlights			
Revenue	469,719	346,501	35.6%
Cost of sales	(306,251)	(268,179)	14.2%
Gross profit	163,468	78,322	108.7%
Gross profit margin	34.8%	22.6%	12.2% points
Profit before tax	78,183	56,130	39.3%
Profit for the period	62,672	49,124	27.6%
Profit attributable to owners of the Company	62,102	49,124	26.4%
Basic earnings per share (in RMB)	0.21	0.16	31.3%
	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)	% Changes Increase/ (decrease)
Liquidity and Gearing			
Current ratio (Note 1)	1.73	1.78	(2.8)%
Quick ratio (Note 2)	0.97	1.17	(17.1)%
Gearing ratio (Note 3)	47.7%	28.1%	19.6% 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.

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

For the six months ended 30 June 2022

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
REVENUE	4	469,719	346,501
Cost of sales		<u>(306,251)</u>	<u>(268,179)</u>
Gross profit		163,468	78,322
Other income and gains, net		2,271	17,978
Selling and distribution expenses		(5,162)	(5,121)
Administrative expenses		(51,435)	(30,811)
Other expenses		(22,323)	(235)
Finance costs		<u>(8,636)</u>	<u>(4,003)</u>
PROFIT BEFORE TAX	5	78,183	56,130
Income tax expense	6	<u>(15,511)</u>	<u>(7,006)</u>
PROFIT FOR THE PERIOD		<u>62,672</u>	<u>49,124</u>
Profit attributable to:			
Owners of the Company		62,102	49,124
Non-controlling interest		<u>570</u>	<u>–</u>
		<u>62,672</u>	<u>49,124</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (<i>in RMB</i>)	8	<u>0.21</u>	<u>0.16</u>

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	<u>62,672</u>	<u>49,124</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>1,407</u>	<u>(153)</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	<u>89</u>	<u>(96)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>1,496</u>	<u>(249)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>64,168</u>	<u>48,875</u>
Total comprehensive income attributable to:		
Owners of the Company	63,598	48,875
Non-controlling interest	<u>570</u>	<u>—</u>
	<u>64,168</u>	<u>48,875</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	209,883	164,798
Right-of-use assets		55,156	48,838
Investments in associates		4,500	41,813
Prepayments		58,227	76,520
		<hr/>	<hr/>
Total non-current assets		327,766	331,969
CURRENT ASSETS			
Inventories		478,293	255,832
Trade and bills receivables	10	189,982	130,122
Prepayments, deposits and other receivables		274,974	194,513
Cash and cash equivalents		146,851	169,939
		<hr/>	<hr/>
Total current assets		1,090,100	750,406
CURRENT LIABILITIES			
Trade payables	11	56,521	13,621
Other payables and accruals		62,236	55,093
Interest-bearing bank borrowings		476,178	325,301
Lease liabilities		16,255	11,979
Tax payable		18,377	16,498
		<hr/>	<hr/>
Total current liabilities		629,567	422,492
		<hr/>	<hr/>
NET CURRENT ASSETS		460,533	327,914
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		788,299	659,883
		<hr/>	<hr/>

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		27,041	19,824
Lease liabilities		14,313	17,282
		<hr/>	<hr/>
Total non-current liabilities		41,354	37,106
		<hr/>	<hr/>
Net assets		746,945	622,777
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>12</i>	2,712	2,712
Reserves		685,109	620,065
		<hr/>	<hr/>
		687,821	622,777
Non-controlling interest		59,124	–
		<hr/>	<hr/>
Total equity		746,945	622,777
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

The unaudited interim 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 historical financial information for the year ended 31 December 2021.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim 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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The People's Republic of China (the "PRC")	395,577	304,417
The United States	43,230	26,808
Asia	16,834	10,982
Europe	13,997	4,228
Others	81	66
	<u>469,719</u>	<u>346,501</u>

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

(b) Non-current assets

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
The PRC	326,921	330,889
Others	845	1,080
	<u>327,766</u>	<u>331,969</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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	50,792	16,275
Customer B	53,920	21,796
Customer C	29,093	57,281
	<u>133,805</u>	<u>95,352</u>

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of products	469,719	345,643
Provision of processing services	—	858
	<u>469,719</u>	<u>346,501</u>

Disaggregate revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Types of goods or services		
Sales of products	469,719	345,643
Provision of processing services	—	858
	<u>469,719</u>	<u>346,501</u>
Timing of revenue recognition		
Goods transferred at a point in time	469,719	345,643
Services rendered over time	—	858
	<u>469,719</u>	<u>346,501</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	306,251	268,179
Depreciation of property, plant and equipment	11,579	6,222
Depreciation of right-of-use assets	2,503	1,210
Research and development costs	18,840	12,492
Loss on disposal of items of property, plant and equipment	5	133
Reversal of impairment of inventories	–	(5,546)
Impairment/(reversal of impairment) of trade receivables	2,142	(5,491)
Foreign exchange differences, net	18,567	(591)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 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 (2021: 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% (2021: 15%).

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current – The PRC		
Charge for the period	5,785	4,762
(Overprovision)/underprovision in prior periods	(366)	1,716
Current – Hong Kong		
Charge for the period	10,092	528
Total tax charge for the period	15,511	7,006

7. DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2021: 300,000,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

The calculations of basic earnings per share are based on:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in basic earnings per share calculation	62,102	49,124
	300,000,000	300,000,000
	300,000,000	300,000,000

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment of RMB56,660,000 (six months ended 30 June 2021: RMB24,963,000).

During the six months ended 30 June 2022, plant and machinery with a net book value of RMB5,000 (six months ended 30 June 2021: RMB133,000) were disposed by the Group, resulting in a net loss on disposal of RMB5,000 (six months ended 30 June 2021: net loss of RMB133,000).

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month	133,854	84,864
1 to 2 months	43,015	27,593
2 to 3 months	11,230	12,184
Over 3 months	1,883	5,481
	<u>189,982</u>	<u>130,122</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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month	16,205	9,218
1 to 2 months	14,955	3,572
2 to 3 months	20,059	412
Over 3 months	5,302	419
	<u>56,521</u>	<u>13,621</u>

12. SHARE CAPITAL

	30 June 2022		31 December 2021	
	HK\$ (Unaudited)	Equivalent to RMB (Unaudited)	HK\$ (Audited)	Equivalent to RMB (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>

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT REVIEW

During the six months ended 30 June 2022 (the “**Reporting Period**”), the outbreak of novel coronavirus (COVID-19) (the “**Pandemic**”) continued to affect the world, and with the global economy lacking momentum to recover and commodity prices fluctuating at high levels, the international environment became more complicated and uncertain. China’s economy was also under multiple pressure due to the unexpected impact of the Pandemic and the requirement of the dynamic zero infection policy, with all sectors being affected to varying degrees. During the Reporting Period, China’s gross domestic product grew by 2.5% year-on-year and the steady recovery of the economy remained challenging. Under such a tough economic situation, with the concerted efforts of all management members and staff, and based on the annual operational plan and target formulated at the beginning of the year, the Group continued to adhere to the guiding principle of “delivering outstanding performance through stable operation and making new achievements with proactive efforts” and the general keynote of “increasing the scale, optimising the structure, improving the management and investing in different industries”, continuously improved its internal management and control and standards and maintained a favourable trend of operation. During the Reporting Period, the Group’s results registered stable and solid growth. In particular, the Group’s total oxide equivalent production of hydrometallurgical products amounted to 1,032.45 tonnes, representing a year-on-year increase of 50.0%. At the same time, the pyrometallurgical projects under construction were officially put into production, and the total production volume of pyrometallurgical metal products amounted to 93.35 tonnes during the first half of 2022. In terms of production process design, the Group achieved integration of “hydrometallurgical” and “pyrometallurgical” smelting of tantalum and niobium, and further optimized and improved the product combination based on the existing advantage in scale of hydrometallurgical products. Operating revenue amounted to approximately RMB469.7 million, representing a year-on-year increase of 35.6%; and after deducting relevant costs and expenses, net profit for the Reporting Period amounted to approximately RMB62.7 million, representing a year-on-year increase of 27.6%.

BUSINESS REVIEW

Stable growth of production and operation

Since the first half of 2022, the Group has strengthened its management and continued to increase its efforts in restructuring and process optimisation of the production lines of its major products, resulting in significant improvement in production efficiency and product quality. Firstly, in terms of production efficiency, during the Reporting Period, the Group's total oxide equivalent production of hydrometallurgical products amounted to approximately 1,032.45 tonnes, representing a year-on-year increase of 50.0%. For specific products, the production of niobium pentoxide amounted to 830.28 tonnes, representing a year-on-year increase of 47.7%; and the production of tantalum pentoxide amounted to 202.17 tonnes, representing a year-on-year increase of 59.1%. In particular, the production of high-purity products amounted to approximately 194.98 tonnes for the first half of the year, representing a year-on-year increase of 60.4%. During the Reporting Period, the Group made favourable progress in vertical extension of industrial chain, with its pyrometallurgical projects, namely the Guizhou Xingyi project (貴州興義項目) and Guangdong Qingyuan Huaqiao Industrial Park project (廣東清遠華僑工業園項目), starting to make continuous contribution through consistent and stable trial production, which produced a total of 93.35 tonnes of metal products, including 46.46 tonnes of tantalum and 46.89 tonnes of niobium, thereby laying a solid foundation for the strategic development of the Group in the future. In addition, in terms of product quality, during the Reporting Period, the first-time passing rate of major products remained stable. The overall passing rate of hydrometallurgical products was 95.5% and the overall recycling rate remained at 96.3%. The average direct recovery rate of pyrometallurgical products was 94.0% and the overall recycling rate was 96.0%, showing improvement of product quality.

Accelerated release of innovative efforts

During the Reporting Period, the Group continued to step up its efforts in research and development of key products and made breakthroughs in the production process of a number of core products such as molten tantalum, carbothermic tantalum bars and tantalum powder, which were well recognised by customers. The transformation and optimisation of several processes were completed, which reduced the unit consumption of ancillary materials and enhanced the production capacity. 21 new patents and 6 software copyrights were granted, and as of the end of the Reporting Period, the Group made 66 patent applications which were pending approval. The Group also established one governmental technology project, participated in formulation of various national and industry standards, and completed the formulation of six enterprise standards.

Optimisation and improvement of internal management and control

During the Reporting Period, the Group continued to promote standardised and efficient management, and engaged Xiawuminghe management consulting company (廈鎬鳴鶴管理顧問公司) to upgrade and optimise the Group's management with focus on training and optimisation in areas such as system construction, talent training and performance enhancement of the Group. It also strengthened cost control, continued to reduce production and operating costs, and carried out extensive activities such as process optimisation and solicitation of reasonable suggestions to explore potential for cost reduction. The Group strengthened the construction of its financial system, commenced the upgrade of its financial enterprise resource planning (ERP) system, enhanced the quality and efficiency of various operational processes, and strengthened comprehensive budget analysis and management, thereby improving the level of financial management.

Effective and successful strategic financing

In March 2022, Ximei Resources (Guizhou) Technology Limited* (稀美資源(貴州)科技有限公司) (“**Ximei Guizhou**”), a subsidiary of the Group, among others, entered into an investment agreement (the “**Investment Agreement**”) with Guizhou Province New Kinetic Energy Industry Development Fund Partnership (Limited Partnership)* (“**Guizhou New Kinectic LP**”) (貴州省新動能產業發展基金合夥企業(有限合夥)) in relation to the investment in the equity interest in Ximei Guizhou. Pursuant to the Investment Agreement, Guizhou New Kinetic LP conditionally agreed to contribute capital of RMB60 million to Ximei Guizhou and subscribe for 37.50% of the equity interest in Ximei Guizhou. For further details, please refer to the announcement of the Company dated 31 March 2022.

In May 2022, the Group formed strategic cooperation with Ganfeng Lithium Co., Ltd. (江西贛鋒鋰業股份有限公司) (“**Ganfeng Lithium**”), a global leading lithium ecological enterprise, in relation to the equity financing of HK\$240 million. Such equity financing was completed in July 2022. Upon completion of such equity financing, Ganfeng Lithium indirectly held approximately 16.7% of the Company's shares and has become the second largest shareholder of the Company as at the date of this announcement. The above strategic financing reflected the investors' recognition of the long-term investment value of the Group, strengthened the Group's capital strength and enhanced the Group's position in the industry. In the future, the Group will continue to actively explore new financing channels, maintain its industry focus and steady operation to create greater value for its shareholders (“**Shareholders**”) and investors. For further details, please refer to the announcement of the Company dated 29 July 2022 and the announcements referred to therein.

* For identification purposes only

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 periods indicated:

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Sales of products	469,719	100.0%	345,643	99.8%
Provision of processing services	—	—	858	0.2%
Total revenue	<u>469,719</u>	<u>100.0%</u>	<u>346,501</u>	<u>100.0%</u>

During the six months ended 30 June 2022, the Group was principally engaged in sale of tantalum – and niobium – based hydrometallurgical oxide and tantalum – and niobium – based pyrometallurgical metal products. In particular, hydrometallurgical oxide products mainly include tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, and pyrometallurgical products mainly include tantalum powder, tantalum bars, tantalum ingots, niobium bars, niobium ingots, molten niobium and ferroniobium.

The Group's total revenue increased by approximately RMB123.2 million or 35.6% from approximately RMB346.5 million for the six months ended 30 June 2021 to approximately RMB469.7 million for the Reporting Period. The increase was mainly due to (i) the increase in selling prices of the Group's products, and (ii) the commencement of operation of the pyrometallurgical project in Guizhou Xingyi (貴州興義火法項目), which provided more production capacity during the Reporting Period.

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 2022 and 2021, our cost of sales amounted to approximately RMB306.3 million and RMB268.2 million, respectively.

Our materials costs mainly represented the cost for purchasing tantalum and niobium ores, and accounted for approximately 82.6% and 84.0% of our total cost of sales for the Reporting Period and the six months ended 30 June 2021, respectively. Our cost of sales increased by approximately RMB38.1 million or 14.2% from approximately RMB268.2 million for the six months ended 30 June 2021 to approximately RMB306.3 million for the Reporting Period. Such increase was mainly attributable to the increase in raw materials' unit costs.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB85.2 million or 108.7% from approximately RMB78.3 million for the six months ended 30 June 2021 to approximately RMB163.5 million for the Reporting Period, mainly driven by the increase in revenue and increase in gross profit margin of our products.

Our gross profit margin increased from approximately 22.6% for the six months ended 30 June 2021 to approximately 34.8% for the Reporting Period. Such increase during the Reporting Period was mainly attributable to the significant increase in selling prices of tantalum – and niobium – based oxide and metal products during the Reporting Period as compared to the same period of last year, and the relatively low increase in unit cost of sales benefited from the relatively low cost of inventory and stock in previous period.

Other income and gains, net

Our other income and gains, net primarily comprised government subsidies, bank interest income, 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, net decreased by approximately RMB15.7 million or 87.2% from approximately RMB18.0 million for the six months ended 30 June 2021 to approximately RMB2.3 million for the Reporting Period. Such decrease was mainly attributable to the fact that in the same period last year, there was a reversal of impairment of trade receivables of approximately RMB5.5 million and a write-back of provision of inventories of approximately RMB5.5 million, while there was no such reversal or write-back during 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 slightly by approximately RMB0.1 million or 2.0% from approximately RMB5.1 million for the six months ended 30 June 2021 to approximately RMB5.2 million for the Reporting Period. Such increase was mainly attributable to 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 increased by approximately RMB20.6 million or 66.9% from approximately RMB30.8 million for the six months ended 30 June 2021 to approximately RMB51.4 million for the Reporting Period. Such increase was mainly attributable to the increase in remuneration of new employees and research and development costs due to commencement of operation of two new major pyrometallurgical projects of the Group during the Reporting Period.

Our research and development costs amounted to approximately RMB18.8 million and RMB12.5 million for the Reporting Period and the six months ended 30 June 2021, respectively. Such costs 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 net foreign exchange defences. Our other expenses increased by approximately RMB22.1 million from approximately RMB0.2 million for the six months ended 30 June 2021 to approximately RMB22.3 million for the Reporting Period. Such increase was mainly due to the net foreign exchange differences turn from gains of approximately RMB0.6 million for the six months ended 30 June 2021 to losses of approximately RMB18.6 million 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 2021 amounted to approximately RMB8.6 million and RMB4.0 million, respectively. The finance costs increased by approximately RMB4.6 million or 115.0% 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 13% for our export sales of tantalum bars.

Our income tax expense for the Reporting Period and the six months ended 30 June 2021 amounted to approximately RMB15.5 million and RMB7.0 million, respectively. Our effective tax rate for the Reporting Period and the six months ended 30 June 2021 was approximately 19.8% and 12.5%, respectively. The increase in our effective tax rate was mainly due to (i) decrease in income not subject to tax, and (ii) increase in expense not deductible for tax. The details are set out in Note 6 to the Condensed Consolidated Financial Statements.

Profit for the Reporting Period

As a result of the foregoing, the Group recorded net profit for the Reporting Period and the six months ended 30 June 2021 of approximately RMB62.7 million and RMB49.1 million, respectively, representing an increase of approximately RMB13.6 million or 27.6%. Our net profit margin was approximately 13.3% and 14.2% for Reporting Period and the six months ended 30 June 2021, respectively.

Profit attributable to owners of the Company

As a result of the foregoing, the Group recorded profit attributable to owners of the Company for the Reporting Period and the six months ended 30 June 2021 of approximately RMB62.1 million and RMB49.1 million, respectively, representing an increase of approximately RMB13.0 million or 26.4%.

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 2022, we had cash and cash equivalents of approximately RMB146.9 million (as at 31 December 2021: approximately RMB169.9 million). In the future, we intend to finance our operations by cash generated from operating activities, bank borrowings and net proceeds from the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (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 RMB23.0 million, which mainly comprised the net cash used in operating activities with the amount of approximately RMB166.9 million, net cash used in investing activities with the amount of approximately RMB56.0 million, net cash generated from financing activities with the amount of approximately RMB201.9 million, and the negative effect of foreign exchange rate changes of approximately RMB2.0 million.

CAPITAL STRUCTURE

Indebtedness

The total indebtedness of the Group as at 30 June 2022 was approximately RMB503.2 million (as at 31 December 2021: approximately RMB345.1 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 2022, the Group's gearing ratio was approximately 47.7% (as at 31 December 2021: 28.1%), 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 increase was mainly due to the increase in interest-bearing bank borrowings as at the end of the Reporting Period.

Pledge of assets

As at 30 June 2022, 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 RMB20.7 million and RMB52.4 million, respectively.

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 aggregate carrying amounts of approximately RMB21.0 million and RMB25.2 million, respectively.

Capital expenditures

Our capital expenditures primarily comprised expenditures for purchases of property, plant and equipment. Our capital expenditures amounted to approximately RMB56.7 million and RMB25.0 million for the Reporting Period and the six months ended 30 June 2021, 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 overseas 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. During the Reporting Period, the Group made reasonable use of derivatives to hedge against certain foreign exchange risk exposures on a phased basis based on the volatility of the foreign exchange market, and established a foreign exchange rate risk management system within the Company. 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 2022, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings (as at 31 December 2021: nil).

CAPITAL COMMITMENT

As at 30 June 2022, the Group had capital commitment of approximately RMB224.1 million (as at 31 December 2021: approximately RMB144.9 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 2022, 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 2022.

Saved as disclosed above, there were no other specific plans for material investments or capital assets as at 30 June 2022.

FUTURE OUTLOOK

Both tantalum and niobium are excellent functional materials for electronics and are indispensable metal materials for high-tech industries. Looking ahead, under the national strategy of “innovation-driven high-quality development”, the demand for new materials such as tantalum and niobium will continue to grow, driven by strong demand in end-user industries such as new energy, electronics, 5G, aerospace and high-end manufacturing. The Group will continue to focus on its main business of tantalum and niobium, adhere to the development strategies of “scale enhancement, structural optimisation, management improvement and industry development”, maintain stable operation and make proactive efforts, thereby achieving continuous improvement of economic benefits and healthy and sustainable corporate development.

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 2022, the Group had a total of 474 employees. For the six months ended 30 June 2022, the Group’s total remuneration paid to employees was approximately RMB36.7 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 interim dividend for the six months ended 30 June 2022 (2021: 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.

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

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

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 EXECUTIVE DIRECTOR

As disclosed in the announcement of the Company dated 19 April 2022 (the "**Resignation Announcement**"), Ms. Wu Shandan ("**Ms. Wu**") has tendered her resignation as an executive Director and the chief financial officer of the Company to focus on her other business engagements with effect from 15 April 2022. Ms. Wu has also ceased to act as an authorised representative of the Company under Rules 3.05 of the Listing Rules with effect from 15 April 2022. Please refer to the Resignation Announcement 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 2022, the Group had used net proceeds of approximately RMB79.7 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 2022:

		Planned use of proceeds as disclosed in the Prospectus	Actual utilised amount as at 30 June 2022	Unutilised amount as at 30 June 2022
	%	(<i>RMB million</i>)	(<i>RMB million</i>)	(<i>RMB million</i>)
Construction of new production facilities to produce tantalum powder and bars	28.9%	26.8	26.8	–
Acquisition and installing of machinery and equipment to produce tantalum powder and bars	36.0%	33.4	25.3	8.1
Other expenses for setting up the new production facilities	3.9%	3.6	3.6	–
Financing five research and development projects	17.9%	16.6	13.6	3.0
Strengthening the sales network in Europe and sourcing channels in Brazil	3.5%	3.2	1.3	1.9
General working capital	9.8%	9.1	9.1	–
Total	<u>100.0%</u>	<u>92.7</u>	<u>79.7</u>	<u>13.0</u>

The unutilised amount of net proceeds of approximately RMB13.0 million is expected to be completely utilised by December 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 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 C.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules.

According to code provision C.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 announcement has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited financial statements, this results announcement and the interim report of the Company for the six months ended 30 June 2022 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 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

Completion of issue and subscription of new shares under general mandate

As disclosed in the announcements of the Company dated 19 May 2022, 22 July 2022 and 29 July 2022 (the “**Announcements**”) (unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcements), all conditions of the Subscription have been fulfilled and completion of the Subscription took place on 29 July 2022. A total of 60,000,000 Subscription Shares have been successfully issued and allotted to the Subscriber at the Subscription Price of HK\$4.0 per Subscription Share pursuant to the terms and conditions of the Execution Agreement.

The gross proceeds from the Subscription are approximately HK\$240.0 million in aggregate. After deducting related professional fees and all related expenses of about HK\$7 million borne by the Company under the Subscription, the net proceeds of the Subscription amount to approximately HK\$233 million. As disclosed in the Announcements, the net proceeds from the Subscription will be used for the Group’s investment in fixed assets and general working capital purposes. Please refer to the Announcements for further details.

Project investment agreement

As disclosed in the announcement of the Company dated 3 August 2022, a project investment agreement (the “**Project Investment Agreement**”) was entered into between Ximei Guangdong and The People’s Government of Leizhou, Guangdong Province* (廣東省雷州市人民政府) (“**Leizhou Government**”) in relation to an investment project (the “**Investment Project**”) for an annual production of 3,000 tons of high-performance tantalum-niobium oxide in Leizhou Economic Development Zone* (雷州經濟開發區) (“**Leizhou Economic Development Zone**”) in the PRC.

Pursuant to the Project Investment Agreement, among others, Ximei Guangdong shall establish a subsidiary in Leizhou, the PRC (the “**Project Company**”) upon signing of the Project Investment Agreement for the purpose of implementing the Investment Project. The Project Company (as tenant) shall enter into a tenancy agreement with a company designated by Leizhou Government (as landlord) in relation to the lease of a factory in Leizhou Economic Development Zone for the production of tantalum-niobium oxide. Please refer to the announcement of the Company dated 3 August 2022 for further details.

Saved as disclosed above, there are no material events 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 2022 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 2022 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, 24 August 2022

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