# 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 2022

**RESULTS HIGHLIGHTS**

- Revenue increased by 33.5% to approximately RMB1,019.6 million (2021: RMB763.7 million).
- Gross profit increased by 48.9% to approximately RMB305.9 million (2021: RMB205.5 million).
- Gross profit margin increased by 3.1% points to 30.0% (2021: 26.9%).
- Profit before taxation increased by 4.6% to approximately RMB124.1 million (2021: RMB118.6 million).
- Total profit before interest and taxation increased by 11.4% to approximately RMB145.1 million (2021: RMB130.3 million).
- Profit for the year increased by 5.3% to approximately RMB107.5 million (2021: RMB102.1 million).
- Net profit after non-recurring profit or loss increased by 49.0% to RMB142.7 million (2021: RMB95.8 million).
- Profit attributable to owners of the Company increased by 2.5% to approximately RMB104.7 million (2021: RMB102.1 million).
- Basic earnings per share decreased by 5.9% to approximately RMB0.32 (2021: RMB0.34).
- The Board did not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Ximei Resources Holding Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Year Under Review**") and selected explanatory notes, together with the comparative figures of the corresponding year in 2021 as follows:

**Consolidated Statement of Profit or Loss**
*Year ended 31 December 2022*

| | *Notes* | **2022** **_RMB'000_** | 2021 *RMB'000* |
|---|---|---|---|
| **REVENUE** | 4 | **1,019,600** | 763,725 |
| Cost of sales | | **(713,700)** | (558,205) |
| **Gross profit** | | **305,900** | 205,520 |
| Other income and (loss)/gains, net | 5 | **(30,448)** | 11,891 |
| Selling and distribution expenses | | **(8,287)** | (12,719) |
| Administrative expenses | | **(118,761)** | (83,665) |
| Other operating (expenses)/income | | **(1,056)** | 9,305 |
| Finance costs | 6 | **(20,968)** | (11,782) |
| Share of loss of an associate | | **(2,246)** | – |
| **PROFIT BEFORE TAX** | 7 | **124,134** | 118,550 |
| Income tax expense | 8 | **(16,667)** | (16,485) |
| **PROFIT FOR THE YEAR** | | **107,467** | 102,065 |
| Profit attributable to: | | | |
| Owners of the parent | | **104,734** | 102,065 |
| Non-controlling interest | | **2,733** | – |
| | | **107,467** | 102,065 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | | | |
| Basic *(in RMB)* | 9 | **0.32** | 0.34 |

**Consolidated Statement of Comprehensive Income**
*Year ended 31 December 2022*

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **PROFIT FOR THE YEAR** | **107,467** | 102,065 |
| **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 | **4,055** | (880) |
| 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 | **8,155** | (170) |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | **12,210** | (1,050) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **119,677** | 101,015 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | **116,944** | 101,015 |
| Non-controlling interest | **2,733** | – |
| | **119,677** | 101,015 |

**Consolidated Statement of Financial Position**

*31 December 2022*

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **304,123** | 164,798 |
| Right-of-use assets | | **99,009** | 48,838 |
| Investments in associates | | **12,072** | 41,813 |
| Prepayments and deposit | | **88,627** | 76,520 |
| Total non-current assets | | **503,831** | 331,969 |
| **CURRENT ASSETS** | | | |
| Inventories | | **511,000** | 255,832 |
| Trade and bills receivables | *10* | **236,528** | 130,122 |
| Prepayments, deposits and other receivables | | **122,309** | 194,513 |
| Cash and cash equivalents | | **325,414** | 169,939 |
| Total current assets | | **1,195,251** | 750,406 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *11* | **86,306** | 13,621 |
| Other payables and accruals | | **85,759** | 55,093 |
| Interest-bearing bank borrowings | | **315,097** | 325,301 |
| Lease liabilities | | **21,333** | 11,979 |
| Tax payables | | **9,469** | 16,498 |
| Total current liabilities | | **517,964** | 422,492 |
| **NET CURRENT ASSETS** | | **677,287** | 327,914 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,181,118** | 659,883 |

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing bank borrowings | **167,445** | 19,824 |
| Lease liabilities | **11,567** | 17,282 |
| Total non-current liabilities | **179,012** | 37,106 |
| **Net assets** | **1,002,106** | 622,777 |
| **EQUITY** | | |
| **Equity attributable to owners of the parent** | | |
| Share capital | **3,228** | 2,712 |
| Reserves | **937,591** | 620,065 |
| | **940,819** | 622,777 |
| Non-controlling interest | **61,287** | – |
| **Total equity** | **1,002,106** | 622,777 |

# Notes to the Consolidated Financial Statements

*31 December 2022*

## 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 address of the Company is 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 2022. 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).

Generally, there is a presumption that a majority of voting rights result in control. 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 3 | *Reference to the Conceptual Framework* |
| Amendments to HKAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to HKAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract* |
| *Annual Improvements to HKFRSs 2018-2020* | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 3. OPERATING SEGMENT INFORMATION

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

### Geographical information

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| The PRC | **864,436** | 655,821 |
| The United States | **92,275** | 58,029 |
| European countries | **26,015** | 25,845 |
| Others | **36,874** | 24,030 |
| | **1,019,600** | 763,725 |

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

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| The PRC | **503,240** | 330,889 |
| Others | **591** | 1,080 |
| | **503,831** | 331,969 |

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 individually accounted for 10% or more of the Group's revenue for the reporting period is set out below:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer A | **–** | 114,494 |
| Customer B | **108,912** | – |

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

## 4. REVENUE

An analysis of revenue is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| *Revenue from contracts with customers* | | |
| Sale of products | **932,316** | 684,617 |
| Provision of processing services | **87,284** | 79,108 |
| | **1,019,600** | 763,725 |

### (i) Disaggregated revenue information

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Types of goods or services** | | |
| Sale of products | **932,316** | 684,617 |
| Provision of processing services | **87,284** | 79,108 |
| Total revenue from contracts with customers | **1,019,600** | 763,725 |
| **Timing of revenue recognition** | | |
| Goods transferred and services rendered at a point in time | **1,019,600** | 763,725 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Sale of products | **2,215** | 1,555 |

(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 when 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 2022 (2021: Nil).

## 5. OTHER INCOME AND (LOSS)/GAINS, NET

An analysis of other income and (loss)/gains, net is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Bank interest income | **2,682** | 1,277 |
| Government grants* | **2,094** | 5,762 |
| | **4,776** | 7,039 |
| **(Loss)/gains, net** | | |
| Foreign exchange differences, net | **(35,947)** | 2,590 |
| Reversal of long outstanding payables | **–** | 2,055 |
| Others | **723** | 207 |
| | **(35,224)** | 4,852 |
| | **(30,448)** | 11,891 |

* Government grants have been received from the PRC local government authorities to support certain subsidiaries' 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:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank loans | **20,831** | 13,215 |
| Interest on lease liabilities | **2,347** | 445 |
| | **23,178** | 13,660 |
| Less: Interest capitalised* | **(2,210)** | (1,878) |
| | **20,968** | 11,782 |

* 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):

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold | **636,673** | 492,840 |
| Cost of service rendered | **77,027** | 65,365 |
| Depreciation of property, plant and equipment | **17,258** | 12,752 |
| Depreciation of right-of-use assets | **6,001** | 5,769 |
| Research and development costs | **47,642** | 29,762 |
| Lease payments not included in the measurement of lease liabilities | **158** | 56 |
| Auditors' remuneration | **2,006** | 1,831 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | |
| Wages and salaries | **60,510** | 49,428 |
| Pension scheme contributions* | **2,133** | 6,162 |
| | **62,643** | 55,590 |
| Loss on disposal of items of property, plant and equipment# | **197** | 1,609 |
| Reversal of impairment of trade receivables# | **(316)** | (5,933) |
| Write-back of provision of inventories# | **–** | (5,545) |
| Foreign exchange differences, net | **35,947** | (2,590) |

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

\# Included in other operating (expenses)/income

## 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 (2021: 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% (2021: 15%).

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current – Hong Kong | | |
| Charge for the year | **9,693** | 3,534 |
| Current – The PRC | | |
| Charge for the year | **5,053** | 11,224 |
| Underprovision in prior year | **1,921** | 1,727 |
| | **6,974** | 12,951 |
| Total tax charge for the year | **16,667** | 16,485 |

## 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 325,641,500 (2021: 300,000,000) in issue during the year.

The weighted average number of ordinary shares has been arrived at after deducting the shares held by trustee of share award scheme of the Company.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

## 10. TRADE AND BILLS RECEIVABLES

| | 2022 | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **164,895** | 103,528 |
| Less: Impairment | **(676)** | (992) |
| | **164,219** | 102,536 |
| Bills receivable | **72,309** | 27,586 |
| | **236,528** | 130,122 |

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:

| | 2022 | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **163,636** | 84,864 |
| 1 to 2 months | **50,335** | 27,593 |
| 2 to 3 months | **20,217** | 12,184 |
| Over 3 months | **2,340** | 5,481 |
| | **236,528** | 130,122 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **992** | 6,925 |
| Impairment | **(316)** | (5,933) |
| At end of year | **676** | 992 |

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:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **75,942** | 9,218 |
| 1 to 2 months | **2,509** | 3,572 |
| 2 to 3 months | **612** | 412 |
| Over 3 months | **7,243** | 419 |
| | **86,306** | 13,621 |

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

## 12. DIVIDEND

No dividend has been paid or proposed by the Company during the year (2021: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Outstanding performance in production and operation

The Group achieved all-time best production performance for its key products. In 2022, for hydrometallurgical products, Ximei Resources (Guangdong) Limited* (稀美資源(廣東)有限公司) ("**Ximei Guangdong**") produced 371 tonnes of tantalum pentoxide and 1,610 tonnes of niobium pentoxide, representing a year-on-year increase of 29% and 27%, respectively. For pyrometallurgical products, Ximei Resources (Guizhou) Technology Limited* (稀美資源(貴州)科技有限公司) ("**Ximei Guizhou**") produced 93 tonnes of tantalum and tantalum-based products and 162 tonnes of niobium and niobium-based products; and Ximei Guangdong (Qinghua Garden Project) achieved output of 89 tonnes of tantalum powder and relevant products, achieving breakthroughs in production volume. In addition, the Group further diversified its product portfolio, maintained stable product quality, kept a low customer complaint rate in the industry and had no major production safety incidents throughout the year.

The Group adopted a proactive approach, adjusted its marketing strategy flexibly and overachieved its sales target for pyrometallurgical tantalum– and niobium-based metal by recording a total operating revenue of approximately RMB1,019.6 million. It also delivered great results in overseas market and recorded an operating revenue of approximately RMB155 million, representing a year-on-year increase of 44%. The Group maintained a stable supply of raw materials and developed a multi-channel procurement strategy. In response to the significant fluctuations in international tantalum and niobium raw material prices, the Group closely monitored the market, made flexible adjustments to its procurement strategy, actively explored new supply channels and strived to reduce procurement costs while ensuring the stability of the raw material supply chain, thereby significantly improving its procurement prepayment rates.

For energy saving, consumption reduction and cost control, the Group implemented multiple measures to further reduce costs and increase efficiency, and strictly controlled quality and cost. It also made outstanding performance in the optimization of separation and treatment process of wastewater, exhaust gas and solid waste, improvement of tantalum production through carbothermic reduction, and upgrading and transformation of extraction line and other key equipment.

* *For identification purpose only*

**Breakthrough in project construction**

In 2022, the Group seized the market opportunity to further extend its industrial chain and build an integrated industrial system. It made investment in the "Project of Green Production of High-performance Tantalum and Niobium Oxide with an Annual Capacity of 3,000 Tonnes", a new project of Ximei Resources (Leizhou) Company Limited* (稀美資源(雷州)有限公司) ("**Ximei Leizhou**"), to further increase the production capacity of hydrometallurgical projects. Meanwhile, by leveraging on internal business synergies to seize the market opportunity of production substitution in China, the Group planned and established 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 and invested in the new "Project of High-end Production of Tantalum- and Niobium-based New Metal Materials with an Annual Capacity of 1,100 Tonnes" of Ximei Resources (Guiyang) Company Limited* (稀美資源(貴陽)有限公司) ("**Ximei Guiyang**") during the Year Under Review, in which Ximei Guizhou realized stable production and production expansion in the same year. Since then, the Group's integrated industrial system has taken shape with the ability to supply high-end tantalum- and niobium-based metals. As of the end of the Year Under Review, the Group had a total effective hydrometallurgical production capacity of 2,000 tonnes, including 1,600 tonnes of niobium pentoxide and 400 tonnes of tantalum pentoxide, and a total effective pyrometallurgical production capacity of 1,020 tonnes, including 100 tonnes of tantalum powder, 50 tonnes of lithium tantalate, 120 tonnes of tantalum-based metal products and 750 tonnes of niobium-based metal products.

Meanwhile, the Group also continued to optimize its processes, overcame a number of technical bottlenecks, continuously improved its resource recycling projects, completed the construction and installation of in-depth wastewater treatment projects, and gained recognition from customers for a number of new product projects.

* *For identification purpose only*

**Development driven by technological research and development**

As of 31 December 2022, the Group was granted a total of 85 patents, including 18 invention patents; and filed 65 patent applications, including 38 invention patent applications. In terms of research and development process improvement and new product development, a number of special tantalum pentoxide and niobium pentoxide products were developed for the hydrometallurgical projects, and the process of the crystal grade high-purity project was further improved with significant quality enhancement, of which the niobium pentoxide with high loose rate was recognized as a high and new technology product of Guangdong Province. For pyrometallurgical projects, breakthroughs were made in the production of several core products such as molten tantalum, carbothermic reduction tantalum bars and tantalum powder, which were recognized by our customers and passed the certification of "Weapons and Equipment Quality Management System Certificate".

In addition, the project of "Production of High-purity and High-performance Tantalum- and Niobium-based New Materials with an Annual Capacity of 1,500 Tonnes" of Ximei Guizhou, a subsidiary of the Company, was selected as one of the top 500 projects in the 7th "Maker in China" SME Innovation and Entrepreneurship Contest. Ximei Guangdong, a core wholly-owned subsidiary of the Group, won various awards and recognition, including the Key Laboratory and Incubation Base of Guangdong Province, the "Innovative Qingyuan" Science and Technology Progress Award in Qingyuan and the National Specialized and Innovative "Little Giant" Enterprise. In particular, the "Little Giant" enterprise focuses on specific market segments and its main business, enhances its core competitiveness by continuously improving its innovation capability, and plays a demonstrative and leading role in improving operational management and product quality of the enterprise, which demonstrates that the Group is recognized by the industry in terms of technology, products and services, thereby further facilitating the high-quality development of the Group in the future.

**Outstanding results in management optimization**

In 2022, the Group re-examined and clarified its strategic positioning of "professional, integrated, large-scale, high-end, international and capital-based" operation to focus on developing its tantalum and niobium business. The Group always prioritizes talent cultivation and continues to improve its talent system in order to build Ximei Resources into a platform that enables co-creation, joint development and resource sharing to provide sustainable momentum for corporate development. During the Year Under Review, the Group introduced the share award scheme to share benefits with its staff and seek common development. It also continued to promote standardized and efficient management, engaged management consultants to improve and optimize the Group's management, and conducted various special trainings on talent cultivation, performance management and professional skills. In addition, during the Year Under Review, the Group made progress in various aspects such as ERP system development, performance assessment, project permit application and staff benefits, thus further refining comprehensive management in a planned and systematic manner.

**Diversified financing channels**

During the Year Under Review, the Company successfully completed a placing to raise HK$240 million and Gangfeng Lithium Co., Ltd. (江西贛鋒鋰業集團股份有限公司) ("**Ganfeng Lithium**"), a global leading lithium ecological enterprise, eventually became the second largest shareholder of the Company by holding 16.7% of the shares of the Company. For further details, please refer to the announcement of the Company dated 29 July 2022 and the announcements referred to therein. Ximei Guizhou, a subsidiary of the Group, successfully introduced Guizhou Province New Kinetic Energy Industry Development Fund Partnership (Limited Partnership) (貴州省新動能產業發展基金合夥企業(有限合夥)) ("**Guizhou New Kinectic LP**") and raised RMB60 million through equity financing. For further details, please refer to the announcement of the Company dated 31 March 2022. In addition, as of the end of the Year Under Review, the total credit facilities granted by financial institutions reached a record high of RMB1.4 billion. In general, the broadened financing channels and diversified financing structure of the Group demonstrated the recognition by investors of the long-term investment value of the Group.

## FINANCIAL REVIEW

### Revenue

The Group's revenue comprised revenue generated from sales of goods 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 | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Sales of manufacturing goods | **777,554** | **76.3%** | 597,371 | 78.2% |
| Sales of trading goods | **154,762** | **15.1%** | 87,246 | 11.4% |
| Provision of processing services | **87,284** | **8.6%** | 79,108 | 10.4% |
| Total revenue | **1,019,600** | **100.0%** | 763,725 | 100.0% |

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

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Pentoxide products | **458,867** | **45.0%** | 412,899 | 54.1% |
| Tantalum pentoxide | | | | |
| – Industrial grade tantalum pentoxide | **96,940** | **9.5%** | 122,096 | 16.0% |
| – High-purity tantalum pentoxide | **24,834** | **2.4%** | 17,282 | 2.3% |
| Niobium pentoxide | | | | |
| – Industrial grade niobium pentoxide | **287,706** | **28.2%** | 199,889 | 26.2% |
| – High-purity niobium pentoxide | **49,387** | **4.9%** | 73,632 | 9.6% |
| Potassium heptafluorotantalate | **104,131** | **10.2%** | 172,512 | 22.6% |
| Tantalum metal products | **220,296** | **21.6%** | 75,703 | 9.9% |
| Niobium metal products | **52,497** | **5.1%** | 2,834 | 0.4% |
| Recycled products | **23,229** | **2.3%** | 16,247 | 2.1% |
| Others | **160,580** | **15.8%** | 83,530 | 10.9% |
| Total revenue | **1,019,600** | **100.0%** | 763,725 | 100.0% |

During the two years ended 31 December 2022 and 2021, our products sold included: (i) pentoxide products; (ii) potassium heptafluorotantalate; (iii) tantalum metal products; (iv) niobium metal products; (v) recycled products and (vi) others. Out of the products we sold, pentoxide products accounted for approximately 45.0% and 54.1% of our total revenue for the two years ended 31 December 2022 and 2021, respectively.

The Group's revenue increased by approximately RMB255.9 million or 33.5% from approximately RMB763.7 million for the year ended 31 December 2021 to approximately RMB1,019.6 million for the Year Under Review. The increase was mainly due to the increase in revenue generated from sales of tantalum metal products; niobium metal products and other products, while partially offset by the decrease in revenue generated from sales of potassium heptafluorotantalate.

***Pentoxide Products***

For the Year Under Review, our revenue generated from sales of pentoxide products amounted to approximately RMB458.9 million, representing an increase of approximately RMB46.0 million or 11.1% from approximately RMB412.9 million for the year ended 31 December 2021. Such increase was driven by the increase in revenue from sales of industrial grade niobium pentoxide of approximately RMB87.8 million, while partially offset by the decrease in revenue from sales of high-purity niobium pentoxide of approximately RMB24.2 million.

***Potassium Heptafluorotantalate***

For the Year Under Review, our revenue generated from sales of potassium heptafluorotantalate amounted to approximately RMB104.1 million, representing a decrease of approximately RMB68.4 million or 39.7% from approximately RMB172.5 million for the year ended 31 December 2021. Such decrease was mainly due to the decrease in external sales of potassium heptafluorotantalate resulting from the increase in use of potassium heptafluorotantalate producted by the Group for further internal production of tantalum metal products during the Year Under Review.

***Tantalum Metal Products***

The Group's revenue generated from sales of tantalum metal products increased by approximately RMB144.6 million or 191.0% from approximately RMB75.7 million for the year ended 31 December 2021 to approximately RMB220.3 Million for the Year Under Review. Such increase was mainly due to the increase in production and sales volume resulting from the increase in production volume of the Ximei Guizhou project during the Year Under Review.

### *Niobium Metal Products*

During the two years ended 31 December 2022 and 2021, the Group's revenue generated from sales of niobium metal products was approximately RMB52.5 million and RMB2.8 million, respectively.

### *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 hepta fluorosilicate and tungsten acid. The increase in revenue generated from sales of recycled products from the year ended 31 December 2021 of approximately RMB16.2 million to the Year Under Review of approximately RMB23.2 million was primarily because we sold more tin hydroxide, potassium hepta fluorosilicate and tungsten acid for the Year Under Review as comparing to that of the year ended 31 December 2021.

### *Others*

For the Year Under Review, our revenue generated from sale of others amounted to approximately RMB160.6 million, representing an increase of approximately RMB77.1 million or 92.3% from approximately RMB83.5 million for the year ended 31 December 2021. Such increase was mainly due to the increase in sales of trading goods 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 2022 and 2021, our cost of sales amounted to approximately RMB713.7 million and RMB558.2 million, respectively. The following table sets forth the breakdown of our cost of sales for the years indicated:

| | **For the year ended 31 December** | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Raw materials | **645,990** | **90.5%** | 503,078 | 90.1% |
| Factory overheads | **29,803** | **4.2%** | 26,465 | 4.7% |
| Electricity and fuels | **17,384** | **2.4%** | 9,636 | 1.8% |
| Labour *(Note)* | **15,174** | **2.1%** | 9,589 | 1.7% |
| Processing fee | **5,349** | **0.8%** | 9,437 | 1.7% |
| Total cost of sales | **713,700** | **100.0%** | 558,205 | 100.0% |

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

Our raw materials costs mainly represented the cost for purchasing tantalum ores and niobium ores, and accounted for approximately 90.5% and 90.1% of our total cost of sales for the Year Under Review and the year ended 31 December 2021, respectively. Our cost of sales increased by approximately RMB155.5 million or 27.9% from approximately RMB558.2 million for the year ended 31 December 2021 to approximately RMB713.7 million for the Year Under Review. Such increase was mainly attributable to the increase in sales volume and increase in production scale of the Group during the year, leading to increase in electricity cost and staff cost.

### Gross profit and gross profit margin

The Group's gross profit increased by approximately RMB100.4 million or 48.9% from approximately RMB205.5 million for the year ended 31 December 2021 to approximately RMB305.9 million for the Year Under Review, mainly driven by the increase in our revenue.

Our gross profit margin increased from approximately 26.9% for the year ended 31 December 2021 to approximately 30.0% for the Year Under Review. Such increase during the Year Under Review was mainly to the optimized structure of product sales of the Group and the greater increase in product sales prices as compared to the increase in raw material prices.

### Other income and (loss)/gains, net

The following table sets forth the breakdown of our other income and (loss)/gains, net for the years indicated:

| | **For the year ended 31 December** | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Others income** | | |
| Government grants *(Note)* | **2,094** | 5,762 |
| Bank interest income | **2,682** | 1,277 |
| | **4,776** | 7,039 |
| **(Loss)/Gain, net** | | |
| Foreign exchange difference, net | **(35,947)** | 2,590 |
| Reversal of long outstanding payables | **–** | 2,055 |
| Others | **723** | 207 |
| | **(35,224)** | 4,852 |
| Total | **(30,448)** | 11,891 |

*Note:* Government grants have been received from the PRC local government authorities to support certain subsidiaries' research and development activities. There are no unfulfilled conditions or contingencies relating to these gains

Our other income and (loss)/gains, net 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, which vary from year to year.

Our other income and (loss)/gains, net was a loss amounted to approximately RMB30.4 million for the Year Under Review (2021: gains of approximately RMB11.9 million). Such loss was mainly attributable to the Group's loss in foreign exchange difference, net of approximately RMB35.9 million for the year ended 31 December 2022.

**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** | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Distribution costs | **3,211** | **38.7%** | 3,148 | 24.7% |
| Staff costs | **2,526** | **30.5%** | 6,353 | 49.9% |
| Consultation fees | **1,543** | **18.6%** | 2,224 | 17.5% |
| Travelling and entertainment expenses | **370** | **4.5%** | 458 | 3.6% |
| Advertising and promotion expenses | **1** | **0.1%** | 37 | 0.3% |
| Office expenses | **69** | **0.8%** | 76 | 0.6% |
| Others | **567** | **6.8%** | 423 | 3.4% |
| Total selling and distribution expenses | **8,287** | **100.0%** | 12,719 | 100.0% |

The Group's selling and distribution expenses decreased by approximately RMB4.4 million or 34.6% from approximately RMB12.7 million for the year ended 31 December 2021 to approximately RMB8.3 million for the Year Under Review. Such decrease was mainly attributable to the decrease in staff costs of approximately RMB3.9 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 | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Research and development expenses | **47,642** | **40.1%** | 29,762 | 35.6% |
| Staff costs | **30,437** | **25.6%** | 26,932 | 32.2% |
| Other tax expenses | **3,040** | **2.6%** | 3,005 | 3.6% |
| Legal advisory and professional fees | **3,881** | **3.3%** | 4,042 | 4.8% |
| Depreciation and amortisation | **7,139** | **6.0%** | 5,460 | 6.5% |
| Travelling and entertainment expenses | **2,190** | **1.8%** | 1,149 | 1.4% |
| Bank charges | **3,693** | **3.1%** | 1,775 | 2.1% |
| Others *(Note)* | **20,739** | **17.5%** | 11,540 | 13.8% |
| Total administrative expenses | **118,761** | **100.0%** | 83,665 | 100.0% |

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

The Group's administrative expenses increased by approximately RMB35.1 million or 41.9% from approximately RMB83.7 million for the year ended 31 December 2021 to approximately RMB118.8 million for the Year Under Review. Such increase was mainly attributable to (i) the increase in staff costs of approximately RMB3.5 million from approximately RMB26.9 million for the year ended 31 December 2021 to approximately RMB30.4 million for the Year Under Review; and (ii) the increase in research and development expenses of approximately RMB17.8 million from approximately RMB29.8 million for the year ended 31 December 2021 to approximately RMB47.6 million for the Year Under Review.

The Group's research and development expenses amounted to approximately RMB47.6 million and RMB29.8 million for the Year Under Review and the year ended 31 December 2021, respectively. The increase in such expenses was mainly due to the increase in research and development activities of the Group such as development of new tantalum – and niobium-based products, improvement of production technique and process and enhancement of recycling and reuse capability.

**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 | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Finance costs on interest-bearing bank borrowings | **20,831** | 13,215 |
| Interest on lease liabilities | **2,347** | 445 |
| Less: interest capitalised | **(2,210)** | (1,878) |
| Total net finance costs | **20,968** | 11,782 |

Our finance costs before capitalisation for the Year Under Review and the year ended 31 December 2021 amounted to approximately RMB23.2 million and RMB13.7 million, respectively. For the Year Under Review and the year ended 31 December 2021, we capitalised interest of approximately RMB2.2 million and RMB1.9 million, respectively, in respect of the interest that was directly attributable to the construction of our production facilities. As a result, our net finance costs charged to the consolidated statements of profit or loss for the Year Under Review and the year ended 31 December 2021 amounted to approximately RMB21.0 million and RMB11.8 million, respectively. The increase in finance costs was mainly due to the increase in long-term bank borrowings by the Group to support the expansion of pyrometallurgical production lines during the Year Under Review.

**Income tax expense**

Our Group 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 2021 amounted to approximately RMB16.7 million and RMB16.5 million, respectively. Our effective tax rate for the Year Under Review and the year ended 31 December 2021 was approximately 13.8% and 13.9%, respectively. The details are set out in Note 8 to the financial statements.

**Profit for the year**

As a result of the foregoing, we recorded net profit for the Year Under Review and the year ended 31 December 2021 of approximately RMB107.5 million and RMB102.1 million, respectively, representing an increase of approximately RMB5.4 million or 5.3%. Our net profit margin was approximately 10.5% and 13.4% for Year Under Review and the year ended 31 December 2021, respectively.

**Profit attributable to owners of the Company**

The Group's profit attributable to owners of the Company for the Year Under Review and the year ended 31 December 2021 amounted to approximately RMB104.7 million and RMB102.1 million, respectively, representing an increase of approximately RMB2.6 million or 2.5%.

## 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 RMB139.3 million from approximately RMB164.8 million as at 31 December 2021 to approximately RMB304.1 million as at 31 December 2022. Such increase was mainly driven by the continuous expansion of production facilities of pyrometallurgical products of the Group.

### Right-of-use assets

As at 31 December 2022, the Group's total right-of-use assets amounted to approximately RMB99.0 million (31 December 2021: approximately RMB48.8 million), they comprised (i) leasehold land; (ii) plant and machinery; and (iii) offices. Our leasehold land, and plant and machinery are recognised as pursuant to HKFRS 16. Our leasehold land represented the prepaid land lease payments in respect of our production facilities in Yingde, Guangdong Province, the PRC. Prepaid land lease payments increased from approximately RMB21.6 million as at 31 December 2021 to approximately RMB53.0 million as at 31 December 2022, mainly due to new addition. Our leased plant and machinery increased from RMB25.4 million as at 31 December 2021 to approximately RMB45.5 million as at 31 December 2022, mainly due to the expansion of Guizhou production line. Our leased offices decreased from approximately RMB1.9 million as at 31 December 2021 to approximately RMB0.6 million as at 31 December 2022, mainly due to depreciation.

### Inventories

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

| | **As at 31 December** | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Raw materials | **195,973** | 143,203 |
| Work in progress | **147,088** | 59,554 |
| Finished goods | **167,939** | 53,075 |
| Total inventories | **511,000** | 255,832 |
| Average inventories *(Note 1)* | **383,416** | 262,495 |
| Average inventories to revenue from sale of products *(Note 2)* | **41.1%** | 34.4% |

*Notes:*

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

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

The Group's inventories amounted to approximately RMB511.0 million and RMB255.8 million as at 31 December 2022 and 2021, respectively. Our average inventories increased from approximately RMB262.5 million as at 31 December 2021 to approximately RMB383.4 million as at 31 December 2022, such increase was mainly due to the increase in both the work in progress and semi-finished goods resulting from the extension of the Group's production business to the downstream of tantalum – and niobium-based metal products. Our average inventories to revenue from sale of products was approximately 41.1% and 34.4% for the year ended 31 December 2022 and 2021, respectively.

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

| | **For the year ended 31 December** | |
|---|---|---|
| | **2022** | 2021 |
| | ***(Days)*** | *(Days)* |
| Average inventory turnover days *(Note)* | **196.1** | 171.6 |

*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 171.6 days for the year ended 31 December 2021 to 196.1 days for the Year Under Review. The increase was mainly due to the increase of our average inventories for the year ended 31 December 2022.

### 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 | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **164,895** | 103,528 |
| Less: Impairment | **(676)** | (992) |
| | **164,219** | 102,536 |
| Bills receivable | **72,309** | 27,586 |
| Total trade and bills receivables | **236,528** | 130,122 |
| Average trade and bills receivables *(Note 1)* | **183,325** | 140,296 |
| Average trade and bills receivables to total revenue *(Note 2)* | **18.0%** | 18.4% |

*Notes:*

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

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

Our trade and bills receivables increased from approximately RMB130.1 million as at 31 December 2021 to approximately RMB236.5 million as at 31 December 2022. Such increase was mainly due to the increase in sales revenue.

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

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

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Within 30 days | **163,636** | 84,864 |
| 31 days to 60 days | **50,335** | 27,593 |
| 61 days to 90 days | **20,217** | 12,184 |
| Over 90 days | **2,340** | 5,481 |
| Total trade and bills receivables | **236,528** | 130,122 |

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 2022 and 2021 was approximately RMB0.7 million and RMB1.0 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 | |
|---|---|---|
| | **2022** | 2021 |
| | ***(Days)*** | *(Days)* |
| Average turnover days of trade and bills receivables *(Note)* | **65.6** | 67.1 |

*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 67.1 days for the year ended 31 December 2021 to 65.6 days for the Year Under Review. The decrease was mainly due to the increase of our sales revenue for the year ended 31 December 2022.

**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** | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Prepayments – Non-current | **66,627** | 68,520 |
| Deposit – Non-current | **22,000** | 8,000 |
| | **88,627** | 76,520 |
| Prepayments – Current | **116,372** | 139,602 |
| Deposits and other receivables – Current | **5,937** | 54,911 |
| | **122,309** | 194,513 |
| Total prepayments, deposits and other receivables | **210,936** | 271,033 |

Our prepayments, deposits and other receivables decreased from approximately RMB271.0 million as at 31 December 2021 to approximately RMB210.9 million as at 31 December 2022, mainly driven by the decrease in deposits and other receivables – current.

**Trade payables**

Our trade payables increased from approximately RMB13.6 million as at 31 December 2021 to approximately RMB86.3 million as at 31 December 2022 mainly due to the increase in purchase near the end of 2022. The following is an ageing analysis of trade payables, based on the invoice date, as at balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Within 30 days | **75,942** | 9,218 |
| 31 days to 60 days | **2,509** | 3,572 |
| 61 days to 90 days | **612** | 412 |
| Over 90 days | **7,243** | 419 |
| Total trade payables | **86,306** | 13,621 |

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 | |
|---|---|---|
| | **2022** | 2021 |
| | ***(Days)*** | *(Days)* |
| Average turnover days of trade payables *(Note)* | **25.6** | 6.5 |

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

Our average turnover days of trade payables increased from approximately 6.5 days for the year ended 31 December 2021 to 25.6 days for the Year Under Review, mainly due to the increase in average trade payables for the year ended 31 December 2022.

**Other payables and accruals**

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

| | **As at 31 December** | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Accruals | **28,873** | 30,957 |
| Deferred income | **6,910** | 6,518 |
| Contract liabilities | **3,611** | 2,215 |
| Other payables | **46,365** | 15,403 |
| Total other payables and accruals | **85,759** | 55,093 |

Our other payables and accruals increased from approximately RMB55.1 million as at 31 December 2021 to approximately RMB85.8 million as at 31 December 2022. Such increase was mainly driven by the increase in other payables.

**Bank borrowings**

Bank borrowings were our principal component of our total liabilities, constituting approximately 69.2% and 75.1% of our total liabilities as at 31 December 2022 and 31 December 2021, 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 | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Non-current | **167,445** | 19,824 |
| Current | **315,097** | 325,301 |
| Total bank borrowings | **482,542** | 345,125 |

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 | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Secured | **57,024** | 83,817 |
| Unsecured | **425,518** | 261,308 |
| Total bank borrowings | **482,542** | 345,125 |

As at 31 December 2022, 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 RMB20.5 million (31 December 2021: RMB21.0 million) and RMB47.6 million (31 December 2021: RMB25.2 million), respectively.

Our total bank borrowings increased from approximately RMB345.1 million as at 31 December 2021 to approximately RMB482.5 million as at 31 December 2022. Such increase was mainly due to the drawing down of new bank loans to support the expansion of pyrometallurgical production lines of tantalum- and niobium-based metal products 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 2022, we had cash and cash equivalents of approximately RMB325.4 million (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 proceeds from the listing of our Company on the Main Board of the Stock Exchange.

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

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

### Cash flows

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

During the Year Under Review, the Group's cash and cash equivalents increased by approximately RMB155.5 million, which mainly comprised the net cash flows used in operating activities with the amount of approximately RMB42.3 million, net cash flows used in investing activities with the amount of approximately RMB168.4 million, net cash flows generated from financing activities with the amount of approximately RMB355.7 million, and the foreign exchange gains of approximately RMB10.5 million.

## CAPITAL STRUCTURE

### Indebtedness

The total indebtedness of the Group as at 31 December 2022 was approximately RMB515.4 million (31 December 2021: approximately RMB374.4 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 2022, the Group's gearing ratio was approximately 15.7% (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 year multiplied by 100%. The decrease was mainly due to an increase in equity financing during the Year Under Review.

### Pledge of assets

As at 31 December 2022, 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 RMB20.5 million (31 December 2021: RMB21.0 million) and RMB47.6 million (31 December 2021: 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 RMB156.7 million and RMB83.6 million for the Year Under Review and the year ended 31 December 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.

## CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2022, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings (31 December 2021: Nil).

## CAPITAL COMMITMENT

As at 31 December 2022, the Group had capital commitment of approximately RMB155.8 million (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 year ended 31 December 2022, 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 2022.

## FUTURE OUTLOOK

Looking ahead to 2023, for downstream market of tantalum and niobium, as many countries are placing increasing emphasis on energy security, supply chain security and defence and military in view of the increasingly challenging international situation, the downstream demand for tantalum and niobium will grow significantly with the development of new technologies such as new energy, 5G upgrade, semiconductors and high-end equipment manufacturing, and more market potential will be released from import substitution of high-end products, thereby presenting new opportunities for the development of tantalum and niobium industry in China.

By adhering to the strategic positioning of "professional positioning, integrated business operation, large-scale manufacturing, high-end products, international operation and capital-based asset management", the Group will strive to promote business growth by closely focusing on established targets with stronger determination and more proactive efforts, continue to adjust its sales and procurement strategies, facilitate strategy execution, effectively promote project construction and strive to achieve economies of scale. It will also actively cultivate talents, persist in technological innovation, and continuously optimize the production process in order to achieve the business goal of high efficiency and low cost, thereby forging ahead to become a world leading tantalum and niobium manufacturer and operator.

## 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 2022, the Group had a total of 550 employees (2021: 328 employees), total staff cost for the Year Under Review amounted to approximately RMB62.6 million (2021: approximately RMB55.6 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 2022 (2021: 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 Wednesday, 31 May 2023, the register of members of the Company will be closed from Friday, 26 May 2023 to Wednesday, 31 May 2023 (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 Thursday, 25 May 2023.

## 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 Rules Governing the Listing of Securities on the Stock Exchange (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 Listing Rules, and adopted various measures to enhance the internal control system, the Directors' continuous 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 provision 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 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 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 2022 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 2022 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 and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on the preliminary announcement.

## DISCLOSURE OF INFORMATION

The annual results announcement for the year ended 31 December 2022 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 2022 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, 28 March 2023

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