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 2023

RESULTS HIGHLIGHTS

- Revenue increased by 37.6% to approximately RMB1,403.2 million (2022: RMB1,019.6 million).
- Gross profit increased by 1.5% to approximately RMB310.4 million (2022: RMB305.9 million).
- Gross profit margin decreased by 7.9% points to 22.1% (2022: 30.0%).
- Profit before taxation decreased by 5.2% to approximately RMB117.7 million (2022: RMB124.1 million).
- Profit for the year decreased by 3.7% to approximately RMB103.5 million (2022: RMB107.5 million).
- Profit attributable to shareholders of the Company decreased by 16.8% to approximately RMB87.1 million (2022: RMB104.7 million).
- Basic earnings per share decreased by 25.0% to approximately RMB0.24 (2022: RMB0.32).
- The Board did not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: 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 2023 (the "**Year Under Review**") and selected explanatory notes, together with the comparative figures of the corresponding year in 2022 as follows:

Consolidated Statement of Profit or Loss
Year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
REVENUE	*4*	**1,403,169**	1,019,600
Cost of sales		**(1,092,745)**	(713,700)
Gross profit		**310,424**	305,900
Other income and gains, net	*5*	**13,531**	5,499
Selling and distribution expenses		**(14,779)**	(8,287)
Administrative expenses		**(156,479)**	(118,761)
Other operating expenses		**(8,665)**	(37,003)
Finance costs	*6*	**(23,520)**	(20,968)
Share of loss of an associate		**(2,806)**	(2,246)
PROFIT BEFORE TAX	*7*	**117,706**	124,134
Income tax expense	*8*	**(14,169)**	(16,667)
PROFIT FOR THE YEAR		**103,537**	107,467
Attributable to:			
Shareholders of the Company		**87,142**	104,734
Non-controlling interest		**16,395**	2,733
		103,537	107,467
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted *(in RMB)*	*9*	**0.24**	0.32

Consolidated Statement of Comprehensive Income
Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**103,537**	107,467
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**477**	4,055
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	**3,157**	8,155
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**3,634**	12,210
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**107,171**	119,677
Attributable to:		
Shareholders of the Company	**90,776**	116,944
Non-controlling interest	**16,395**	2,733
	107,171	119,677

Consolidated Statement of Financial Position
31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**385,340**	304,123
Right-of-use assets		**98,983**	99,009
Investment in an associate		**24,566**	12,072
Prepayments, deposits and other receivables		**39,084**	88,627
Deferred tax assets		**10,357**	–
Total non-current assets		**558,330**	503,831
CURRENT ASSETS			
Inventories		**682,012**	511,000
Trade and bills receivables	*10*	**397,878**	236,528
Prepayments, deposits and other receivables		**166,857**	122,309
Income tax recoverable		**7,605**	–
Cash and bank balances		**115,547**	325,414
Total current assets		**1,369,899**	1,195,251
CURRENT LIABILITIES			
Trade payables	*11*	**54,280**	86,306
Other payables and accruals		**96,951**	85,759
Income tax payables		**14,117**	9,469
Bank borrowings		**536,816**	315,097
Lease liabilities		**13,776**	21,333
Total current liabilities		**715,940**	517,964
NET CURRENT ASSETS		**653,959**	677,287
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,212,289**	1,181,118

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Bank borrowings	**101,862**	167,445
Lease liabilities	**4,247**	11,567
Total non-current liabilities	**106,109**	179,012
Net assets	**1,106,180**	1,002,106
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	**3,228**	3,228
Reserves	**1,026,780**	937,591
	1,030,008	940,819
Non-controlling interest	**76,172**	61,287
Total equity	**1,106,180**	1,002,106

Notes to the Consolidated Financial Statements

31 December 2023

1. CORPORATE INFORMATION

Ximei Resources Holding Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands under the Companies Law (2010 Revision) of the Cayman Islands and the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively the "**Group**") were principally engaged in the manufacture, sale and trading of non-ferrous metal products and the provision of related processing services to customers.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Jiawei Resources Holding Limited, 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 (the "**HKICPA**") 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 for the year ended 31 December 2023. 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 results in control. When the Company has 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in the consolidated financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The amendments did not have any impact to the Group.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two Model Rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture, sale and trading of non-ferrous metal products and provision of related 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

	2023	2022
	RMB'000	*RMB'000*
The People's Republic of China (the "**PRC**")	**1,177,379**	864,436
United States of America	**124,433**	92,275
European Union	**69,433**	26,015
Other countries	**31,924**	36,874
Total revenue	**1,403,169**	1,019,600

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

(b) Non-current assets

No geographical information about the Group's non-current assets is presented as more than 90% of the Group's non-current assets as at 31 December 2023 and 2022 were located in the PRC.

Information about a major customer

During each of the years ended 31 December 2023 and 2022, revenue from a customer accounted for 10% or more of the Group's revenue for the reporting period and the amounts of revenue from this customer for each of these years are set out below:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**155,564**	108,912

4. REVENUE

Revenue of the Group for each of the years ended 31 December 2023 and 2022 wholly represented revenue from contracts with customers.

Notes:

(a) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Sale of non-ferrous metal products	**1,155,882**	777,554
Trading of non-ferrous metal products	**215,333**	154,762
Provision of non-ferrous metal processing services	**31,954**	87,284
Total	**1,403,169**	1,019,600
Timing of revenue recognition		
Goods transferred and services transferred at a point in time	**1,403,169**	1,019,600

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:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of non-ferrous metal products	**3,611**	2,215

(b) **Performance obligations**

Sale and trading of non-ferrous metal 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 non-ferrous metal processing services

The performance obligation is satisfied when the services are rendered and payment is generally due within 30 to 90 days from the completion of services, except for new customers, where payment in advance is normally required.

No performance obligations were unsatisfied or partially unsatisfied as at 31 December 2023 (2022: Nil).

5. OTHER INCOME AND GAINS, NET

	2023	2022
	RMB'000	*RMB'000*
Other income		
Bank interest income	**2,346**	2,682
Government grants*	**7,872**	2,094
	10,218	4,776
Gains, net		
Fair value gains of derivative financial instruments, net	**1,816**	–
Others	**1,497**	723
	3,313	723
	13,531	5,499

* Government grants mainly represented (i) additional input value-added tax credit provided by relevant PRC local government authorities to a subsidiary of the Group which is qualified as a High New Technology Enterprise; and (ii) subsidies 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.

6. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans	**20,129**	20,831
Discount on bill discounting	**1,242**	–
Interest on lease liabilities	**2,628**	2,347
Total finance costs	**23,999**	23,178
Less: Interest capitalised in respect of construction in progress	**(479)**	(2,210)
Total	**23,520**	20,968

7. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold:		
Self-produced goods	**858,813**	486,619
Trading goods	**201,976**	150,054
	1,060,789	636,673
Cost of services provided	**31,956**	77,027
Depreciation of property, plant and equipment	**31,686**	17,258
Depreciation of right-of-use assets	**8,070**	6,001
Research and development costs	**66,553**	47,642
Lease payments not included in the measurement of lease liabilities	**411**	158
Auditor's remuneration	**2,112**	2,006
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**79,186**	60,510
Pension scheme contributions*	**11,904**	2,133
	91,090	62,643
Loss on disposal of items of property, plant and equipment#	**1,334**	197
Impairment/(reversal of impairment) of trade receivables#	**1,469**	(316)
Foreign exchange differences, net#	**4,146**	35,947

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

\# These items are included in "Other operating expenses" in the face of the consolidated statement of profit or loss.

8. INCOME TAX

Hong Kong profit tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 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 (2022: 25%), except that Ximei Resources (Guangdong) Limited and Ximei Resources (Guizhou) Limited were qualified as High New Technology Enterprises and enjoyed preferential CIT rates of 15% (2022: 15%) and 15% (2022: 25%), respectively.

	2023	2022
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**6,458**	9,693
Underprovision in prior year	**1,271**	–
Current – The PRC		
Charge for the year	**16,687**	5,053
Underprovision in prior year	**110**	1,921
	24,526	16,667
Deferred	**(10,357)**	–
Total tax charge for the year	**14,169**	16,667

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares of 359,550,418 (2022: 325,641,500) in issue during the year. The weighted average number of ordinary shares has been arrived at after deducting the shares held by trustee under the share award scheme of the Company.

No adjustment has been made to the basic earnings per share presented for each of the years ended 31 December 2023 and 2022 for a dilution as the Group has no potential ordinary shares in issue during these years.

10. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**263,807**	164,895
Less: Impairment	**(2,145)**	(676)
	261,662	164,219
Bills receivable	**136,216**	72,309
Net carrying amount	**397,878**	236,528

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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**281,579**	163,636
1 to 2 months	**63,373**	50,335
2 to 3 months	**46,897**	20,217
Over 3 months	**6,029**	2,340
Total	**397,878**	236,528

In respect of trade receivables, 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 movements in the loss allowance for impairment of trade receivables are as follows:

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**676**	992
Impairment recognised during the year	**1,469**	(316)
At end of year	**2,145**	676

In respect of bill receivables, they are mostly banker's acceptance bills and, in the opinion of the directors, the expected credit losses of these receivables is minimal.

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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**32,831**	75,942
1 to 2 months	**12,861**	2,509
2 to 3 months	**2,313**	612
Over 3 months	**6,275**	7,243
Total	**54,280**	86,306

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 (2022: Nil).

13. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

New level of production and operation

In 2023, the Group fully unlocked its production vitality through its intensive efforts amid the market evolution. The Group kept track of the market demand changes, and leveraged its production capacity advantages by adjusting its product mix flexibly. Thanks to our intensive efforts around the production and operation targets, we registered new highs in the annual total production of flagship products and several individual indexes. For hydrometallurgical products, basically full production and sales was achieved, and the output of tantalum- and niobium-based metals and their products has more than doubled year-on-year and achieved a new leap, all hitting record highs. We attached importance to the optimization of production processes in order to improve quality, reduce consumption and enhance efficiency. The annual comprehensive metal yield rate, by-product recycling and energy consumption have all improved compared with the past. At the same time, the DingTalk Cloud Maintenance function was activated during production to strengthen the daily maintenance and inspection of equipment in order to improve the percentage of equipment in good condition, enabling the Group to effectively resolve market pressure and fully unlock production capacity.

Fruitful achievements in marketing management

To respond to the sharp fluctuations in the raw material and sales, the management of the Group took a proactive approach to ensure the annual operational goals are accomplished by optimizing the marketing strategy and assessment mechanism on the basis of its analysis on the situation. In 2023, Ximei Resources achieved an operating revenue of RMB1,400 million, representing a year-on-year increase of 38%; with an operating revenue of RMB226 million from overseas markets, a year-on-year increase of 46%. We not only remained focus on our key customers, but also made every effort to explore new markets and develop new products. We passed several certifications on customer side, extensively enlarging our customer coverage. On procurement management front, we, as a part of our efforts to cut procurement cost, followed the market trend by applying a flexible and dynamic procurement mode in which the procurement volume is determined on the basis of sales and the proportion of procurement is dynamically balanced. Based on this, we effectively ensured the availability of raw materials.

Steady progress in project construction

To seize the market opportunities, the Group attached equal importance to production and project construction. In this regard, the Group extended the industrial chain to create an integrated industrial system. During the Year Under Review, all projects under construction were carried out in an orderly manner with solid progress. To adapt to the market demands and expand production capacity, Ximei Guizhou commenced its phase-II project, and completed the installation and commissioning of multiple production lines. For Ximei Guiyang, its project is in the tendering stage, a crucial stage for a project, as Ximei Guiyang has completed the demolition and geological survey design, and continuously optimized the site leveling and design plan, meaning that the project will be progressed fast. Ximei Leizhou completed construction of the main body of its plant thanks to its endeavors to achieve the scheduled progress, signaling that Ximei Leizhou will soon become able to manufacture products on a stable and mass basis. On top of those, the project of China Nuclear Huazhong in which the Group has a stake was qualified as a municipal key project of Hengyang city, and such project is now well underway. During the Year Under Review, our results were under pressure, which is attributable to our significant investments we had to make in order to improve products, realize mass production ramp-up or explore markets at the early stage of development, coupled with factors such as the rapid changes in demand of certain downstream markets and the adjustment of supply and demand structure. Despite this, the Company made progress in such aspects as completeness of product lines, product quality, process maturity, and production capacity in 2023, laying a solid foundation for the Group to achieve market upgrading and high-quality and sustainable development in the future.

Optimized process leading to quality improvement

As of 31 December 2023, the Group has been granted a total of 107 patents, including 19 invention patents. At the same time, the Company has another 69 patents in the application review stage, including 58 invention patents. We kept optimizing research and development process and made breakthroughs in the development of oxides with large specific surface area, ammonia neutralization process, and niobium-processing materials. When it comes to development of new products, we developed high-quality products such as new photoglass niobium products, tantalum powder for low boron tantalum ingots, capacitor-grade potassium heptafluorotantalate, and superconducting high-purity niobium ingots. Subsidiaries of the Group have won many honorary titles such as the Provincial Single Champion Product Enterprise in Manufacturing Industry of Guangdong Province, 2023 National Enterprise with Intellectual Property Advantage, Guangdong Provincial High-Value Patent Cultivation Center, and 2021-2023 Guizhou Provincial Advanced Enterprise for Promoting the Development of New Industrialization. At the same time, the Group applied the principle of quality first by organizing and carrying out the Quality Management Improvement Activity for All Staff throughout the year, formulating unified product standards, and conducting process control through regular quality meetings, thus further reducing the customer complaint rate. Taking other excellent industry players as benchmark, the Group always improved its innovation capability and enhanced quality awareness in a user-driven manner, ultimately enhancing its core competitiveness, thus promoting the high-quality development of the Group in the future.

Continuous organization structure optimization

During the Year Under Review, the Group affirmed its strategic positioning of "professional, integrated, large-scale, high-end, international and capital-based" operation. To this end, we optimized organization structure and systems, and improved the implementation efficiency by streamlining governance and delegating power. Being committed to put talents first, we established a long-term incentive and assessment plan to fully mobilize the enthusiasm of employees, and developed a pool of responsible and committed talents by implementing the mentorship program, creating the learning platform for all employees, and organizing special trainings such as officer training camps and "Ximei Classroom* (稀美講堂)". In addition, during the Year Under Review, the Group made progress in the building of ERP system, budget management, project license application and other aspects, bringing about more standardized comprehensive management.

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 revenue by source for the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Sales of manufacturing goods	**1,155,882**	**82.4%**	777,554	76.3%
Sales of trading goods	**215,333**	**15.3%**	154,762	15.1%
Provision of processing services	**31,954**	**2.3%**	87,284	8.6%
Total revenue	**1,403,169**	**100.0%**	1,019,600	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			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Pentoxide products	**454,618**	**32.4%**	458,867	45.0%
Tantalum pentoxide				
– Industrial grade tantalum pentoxide	**109,658**	**7.8%**	96,940	9.5%
– High-purity tantalum pentoxide	**38,838**	**2.8%**	24,834	2.4%
Niobium pentoxide				
– Industrial grade niobium pentoxide	**182,454**	**13.0%**	287,706	28.2%
– High-purity niobium pentoxide	**123,668**	**8.8%**	49,387	4.9%
Potassium heptafluorotantalate	**97,522**	**7.0%**	104,131	10.2%
Tantalum metal products	**308,128**	**22.0%**	220,296	21.6%
Niobium metal products	**298,873**	**21.3%**	52,497	5.1%
Recycled products	**27,045**	**1.8%**	23,229	2.3%
Others	**216,983**	**15.5%**	160,580	15.8%
Total revenue	**1,403,169**	**100.0%**	1,019,600	100.0%

During the two years ended 31 December 2023 and 2022, 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 32.4% and 45.0% of our total revenue for the two years ended 31 December 2023 and 2022, respectively.

The Group's revenue increased by approximately RMB383.6 million or 37.6% from approximately RMB1,019.6 million for the year ended 31 December 2022 to approximately RMB1,403.2 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, especially the significant increase in the sales of metal products, in particular niobium metal products, as compared with that of 2022, which was attributable to the Group's proactive efforts to explore new markets by optimizing product mix in alignment with the market demands.

Pentoxide Products

For the Year Under Review, our revenue generated from sales of pentoxide products amounted to approximately RMB454.6 million, representing a decrease of approximately RMB4.3 million or 0.9% from approximately RMB458.9 million for the year ended 31 December 2022. Such decrease was due to the fact that external sales of pentoxide products decreased since more primary pentoxide products were utilized for further deep processing to cope with the rising production capacity of Ximei Guizhou project, leading to an increase in production volume during the Year Under Review.

Potassium Heptafluorotantalate

For the Year Under Review, our revenue generated from sales of potassium heptafluorotantalate amounted to approximately RMB97.5 million, representing a decrease of approximately RMB6.6 million or 6.3% from approximately RMB104.1 million for the year ended 31 December 2022. Such decrease was mainly due to the decrease in external sales of potassium heptafluorotantalate resulting from the increase in use of potassium heptafluorotantalate produced 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 RMB87.8 million or 39.9% from approximately RMB220.3 million for the year ended 31 December 2022 to approximately RMB308.1 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 2023 and 2022, the Group's revenue generated from sales of niobium metal products was approximately RMB298.9 million and RMB52.5 million, respectively. Such increase was mainly due to the increase in production volume of the Ximei Guizhou project and the increase in sales revenue as a result of the significant increase in market demand for niobium metal products in downstream applications such as aerospace and military industries during the Year Under Review.

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, potassium fluotitanate and ammonium fluoride. The increase in revenue generated from sales of recycled products from the year ended 31 December 2022 of approximately RMB23.2 million to the Year Under Review of approximately RMB27.0 million was primarily because we sold more tin hydroxide, potassium hepta fluorosilicate, potassium fluotitanate and ammonium fluoride for the Year Under Review as comparing to that of the year ended 31 December 2022.

Others

For the Year Under Review, our revenue generated from sale of others amounted to approximately RMB217.0 million, representing an increase of approximately RMB56.4 million or 35.1% from approximately RMB160.6 million for the year ended 31 December 2022. 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 2023 and 2022, our cost of sales amounted to approximately RMB1,092.7 million and RMB713.7 million, respectively. The following table sets forth the breakdown of our cost of sales for the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Raw materials	**789,196**	**72.2%**	495,936	69.5%
Cost of trading goods	**201,976**	**18.5%**	150,054	21.0%
Factory overheads	**21,966**	**2.0%**	29,803	4.2%
Electricity and fuels	**33,691**	**3.1%**	17,384	2.4%
Labour *(Note)*	**45,916**	**4.2%**	15,174	2.1%
Processing fee	**–**	**–**	5,349	0.8%
Total cost of sales	**1,092,745**	**100.0%**	713,700	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 72.7% and 69.5% of our total cost of sales for the Year Under Review and the year ended 31 December 2022, respectively. Our cost of sales increased by approximately RMB379.0 million or 53.1% from approximately RMB713.7 million for the year ended 31 December 2022 to approximately RMB1,092.7 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 Under Review, leading to increase in electricity cost and staff cost.

Gross profit and gross profit margin

The Group's gross profit increased by approximately RMB4.5 million or 1.5% from approximately RMB305.9 million for the year ended 31 December 2022 to approximately RMB310.4 million for the Year Under Review, mainly driven by the increase in our revenue.

Our gross profit margin decreased from approximately 30.0% for the year ended 31 December 2022 to approximately 22.1% for the Year Under Review. Such decrease was mainly to the changes in the structure of product sales of the Group and the increase in fixed investment costs in the early stage as a result of the expansion of production capacity, coupled with a narrowing of profit margin, which was attributable to the fact that the Group leveraged opportunities to increase the market share by adjusting the business strategy for certain products flexibly to cope with the high volatility and rapid changes in tantalum and niobium prices, and the downward trend in overall market prices amid the severe macro market situation, during the Year Under Review.

Other income and gains, net

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

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Other Income		
Bank interest income	**2,346**	2,682
Government grants *(Note)*	**7,872**	2,094
	10,218	4,776
Gains, net		
Fair value gains on derivative financial instruments, net	**1,816**	–
Others	**1,497**	723
	3,313	723
Total	**13,531**	5,499

Note: Government grants mainly represented (i) additional input value-added tax credit provided by relevant PRC local government authorities to a subsidiary of the Group which is qualified as a High New Technology Enterprise; and (ii) subsidies 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 gains, net primarily comprised government subsidies, bank interest income 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 gains, net was a gain amounted to approximately RMB13.5 million for the year ended 31 December 2023 (2022: approximately RMB5.5 million). Such increase of approximately RMB8.0 million was mainly attributable to the increase in government grants of approximately RMB5.8 million.

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			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Distribution costs	**4,639**	**31.4%**	3,211	38.7%
Staff costs	**5,460**	**36.9%**	2,526	30.5%
Consultation fees	**1,963**	**13.3%**	1,543	18.6%
Travelling and entertainment expenses	**1,401**	**9.5%**	370	4.5%
Advertising and promotion expenses	**2**	**–**	1	0.1%
Office expenses	**163**	**1.1%**	69	0.8%
Others	**1,151**	**7.8%**	567	6.8%
Total selling and distribution expenses	**14,779**	**100.0%**	8,287	100.0%

The Group's selling and distribution expenses increased by approximately RMB6.5 million or 78.3% from approximately RMB8.3 million for the year ended 31 December 2022 to approximately RMB14.8 million for the Year Under Review. Such increase was mainly attributable to the increase in salesperson costs of approximately RMB2.9 million as a result of the Group's efforts to leverage the industry opportunities to explore new markets.

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			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Research and development expenses	**66,553**	**42.5%**	47,642	40.1%
Staff costs	**42,805**	**27.4%**	30,437	25.6%
Other tax expenses	**2,983**	**1.9%**	3,040	2.6%
Legal advisory and professional fees	**6,617**	**4.2%**	3,881	3.3%
Depreciation and amortisation	**10,653**	**6.8%**	7,139	6.0%
Travelling and entertainment expenses	**3,242**	**2.1%**	2,190	1.8%
Bank charges	**4,363**	**2.8%**	3,693	3.1%
Others *(Note)*	**19,263**	**12.3%**	20,739	17.5%
Total administrative expenses	**156,479**	**100.0%**	118,761	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 RMB37.7 million or 31.8% from approximately RMB118.8 million for the year ended 31 December 2022 to approximately RMB156.5 million for the Year Under Review. Such increase was mainly attributable to (i) the increase in staff costs of approximately RMB12.4 million from approximately RMB30.4 million for the year ended 31 December 2022 to approximately RMB42.8 million for the Year Under Review; and (ii) the increase in research and development expenses of approximately RMB19.0 million from approximately RMB47.6 million for the year ended 31 December 2022 to approximately RMB66.6 million for the Year Under Review.

The Group's research and development expenses amounted to approximately RMB66.6 million and RMB47.6 million for the Year Under Review and the year ended 31 December 2022, 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	
	2023	2022
	RMB'000	*RMB'000*
Interest on bank borrowings	**20,129**	20,831
Discount on bill discounting	**1,242**	–
Interest on lease liabilities	**2,628**	2,347
Less: interest capitalised	**(479)**	(2,210)
Total net finance costs	**23,520**	20,968

Our finance costs before capitalisation for the Year Under Review and the year ended 31 December 2022 amounted to approximately RMB24.0 million and RMB23.2 million, respectively. For the Year Under Review and the year ended 31 December 2022, we capitalised interest of approximately RMB0.5 million and RMB2.2 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 2022 amounted to approximately RMB23.5 million and RMB21.0 million, respectively. The increase in finance costs was mainly due to the decrease in capitalised interest for the Year Under Review resulting from the successive completion of new production lines.

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 eligible tantalum metal products.

Our income tax expense for the Year Under Review and the year ended 31 December 2022 amounted to approximately RMB14.2 million and RMB16.7 million, respectively. Our effective tax rate for the Year Under Review and the year ended 31 December 2022 was approximately 11.5% and 13.8%, respectively. The details are set out in Note 8 to the Consolidated Financial Statements.

Profit for the year

As a result of the foregoing, we recorded net profit for the Year Under Review and the year ended 31 December 2022 of approximately RMB103.5 million and RMB107.5 million, respectively, representing a decrease of approximately RMB4.0 million or 3.7%. Our net profit margin was approximately 7.4% and 10.5% for Year Under Review and the year ended 31 December 2022, respectively.

Profit attributable to Shareholders of the Company

Profit attributable to Shareholders of the Company for the Year Under Review and the year ended 31 December 2022 amounted to approximately RMB87.1 million and RMB104.7 million, respectively, representing a decrease of approximately RMB17.6 million or 16.8%.

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 RMB81.2 million from approximately RMB304.1 million as at 31 December 2022 to approximately RMB385.3 million as at 31 December 2023. Such increase was mainly driven by the continuous expansion of production facilities of hydrometallurgical and pyrometallurgical products of the Group, as well as the additions of some equipment resulting from the successive commencement of Ximei Guangdong technical transformation project and Ximei Leizhou and Ximei Guiyang projects.

Right-of-use assets

As at 31 December 2023, the Group's total right-of-use assets amounted to approximately RMB99.0 million (31 December 2022: approximately RMB99.0 million), they comprised of (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 RMB53.0 million as at 31 December 2022 to approximately RMB58.5 million as at 31 December 2023, mainly due to new projects. Our leased plant and machinery decreased from RMB45.5 million as at 31 December 2022 to approximately RMB37.7 million as at 31 December 2023, mainly due to the depreciation charge and transfer to property, plant and equipment. Our leased offices increased from approximately RMB0.6 million as at 31 December 2022 to approximately RMB2.8 million as at 31 December 2023, mainly due to additions.

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	
	2023	2022
	RMB'000	*RMB'000*
Raw materials	**337,448**	195,973
Work in progress	**121,248**	147,088
Finished goods	**223,316**	167,939
Total inventories	**682,012**	511,000
Average inventories *(Note 1)*	**596,506**	383,416
Average inventories to revenue from sale of products *(Note 2)*	**43.5%**	41.1%

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 RMB682.0 million and RMB511.0 million as at 31 December 2023 and 2022, respectively. Our average inventories increased from approximately RMB383.4 million as at 31 December 2022 to approximately RMB596.5 million as at 31 December 2023, 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 43.5% and 41.1% for the year ended 31 December 2023 and 2022, respectively.

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

	For the year ended 31 December	
	2023	2022
	(Days)	*(Days)*
Average inventory turnover days *(Note)*	**199.2**	196.1

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 196.1 days for the year ended 31 December 2022 to 199.2 days for the Year Under Review. The increase was mainly due to the increase of our average inventories for the year ended 31 December 2023.

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	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**263,807**	164,895
Less: Impairment	**(2,145)**	(676)
	261,662	164,219
Bills receivable	**136,216**	72,309
Net carrying amount	**397,878**	236,528
Average trade and bills receivables *(Note 1)*	**317,203**	183,325
Average trade and bills receivables to total revenue *(Note 2)*	**22.6%**	18.0%

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 RMB236.5 million as at 31 December 2022 to approximately RMB397.9 million as at 31 December 2023. Such increase was mainly due to the increase in sales revenue and changes in the structure of downstream customers resulting from the extension of the industrial chain of the Group.

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	
	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**281,579**	163,636
31 days to 60 days	**63,373**	50,335
61 days to 90 days	**46,897**	20,217
Over 90 days	**6,029**	2,340
Total trade and bills receivables	**397,878**	236,528

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 2023 and 2022 was approximately RMB2.1 million and RMB0.7 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	
	2023	2022
	(Days)	*(Days)*
Average turnover days of trade and bills receivables *(Note)*	**82.5**	65.6

Note: Average turnover days of trade and bills receivables equal average trade and bills receivables divided by revenue for the year and multiplied by 365. Average trade and bills receivables are calculated as trade and bills receivables at the beginning of the year plus trade and bills receivables at the end of the year, divided by two.

Our average turnover days of trade and bills receivables increased from 65.6 days for the year ended 31 December 2022 to 82.5 days for the Year Under Review. The increase was mainly due to the increase of our average trade and bills receivables for the year ended 31 December 2023.

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	
	2023	2022
	RMB'000	*RMB'000*
Prepayments – Non-current	**17,084**	66,627
Deposit – Non-current	**22,000**	22,000
	39,084	88,627
Prepayments – Current	**130,226**	116,372
Deposits and other receivables – Current	**36,631**	5,937
	166,857	122,309
Total prepayments, deposits and other receivables	**205,941**	210,936

Our prepayments, deposits and other receivables decreased from approximately RMB210.9 million as at 31 December 2022 to approximately RMB205.9 million as at 31 December 2023, mainly driven by the decrease in completion of settlements of prepayments for purchase of long-term equipment.

Trade payables

Our trade payables decreased from approximately RMB86.3 million as at 31 December 2022 to approximately RMB54.3 million as at 31 December 2023 mainly due to the full settlement of the accounts due to core suppliers at the end of 2023. The following is an ageing analysis of trade payables, based on the invoice date, as at balance sheet dates indicated:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**32,831**	75,942
31 days to 60 days	**12,861**	2,509
61 days to 90 days	**2,313**	612
Over 90 days	**6,275**	7,243
Total trade payables	**54,280**	86,306

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	
	2023	2022
	(Days)	*(Days)*
Average turnover days of trade payables *(Note)*	**23.5**	25.6

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

Our average turnover days of trade payables decreased from approximately 25.6 days for the year ended 31 December 2022 to 23.5 days for the Year Under Review, mainly due to the decrease in average trade payables for the year ended 31 December 2023.

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	
	2023	2022
	RMB'000	*RMB'000*
Accruals	**31,712**	28,873
Deferred income	**7,960**	6,910
Contract liabilities	**23,617**	3,611
Other payables	**33,662**	46,365
Total other payables and accruals	**96,951**	85,759

Our other payables and accruals increased from approximately RMB85.8 million as at 31 December 2022 to approximately RMB97.0 million as at 31 December 2023. Such increase was mainly driven by the increase in advance payment from customers.

Bank borrowings

Bank borrowings were our principal component of our total liabilities, constituting approximately 77.7% and 69.2% of our total liabilities as at 31 December 2023 and 31 December 2022, 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	
	2023	2022
	RMB'000	*RMB'000*
Non-current	**101,862**	167,445
Current	**536,816**	315,097
Total bank borrowings	**638,678**	482,542

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	
	2023	2022
	RMB'000	*RMB'000*
Secured	**125,516**	57,024
Unsecured	**513,162**	425,518
Total bank borrowings	**638,678**	482,542

As at 31 December 2023, 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 RMB29.2 million (31 December 2022: RMB20.5 million) and RMB38.3 million (31 December 2022: RMB47.6 million), respectively.

Our total bank borrowings increased from approximately RMB482.5 million as at 31 December 2022 to approximately RMB638.7 million as at 31 December 2023. Such increase was mainly due to the corresponding increase in operating financing needs resulting from the continuous extension of the industrial chain of the Group and the large increase in sales scale 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 2023, we had cash and cash equivalents of approximately RMB115.5 million (31 December 2022: approximately RMB325.4 million). In the future, we intend to finance our operations by cash generated from operating activities, bank borrowings and proceeds from the listing of our Company on the Main Board of The Stock Exchange of Hong Kong.

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

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

CAPITAL STRUCTURE

Indebtedness

The total indebtedness of the Group as at 31 December 2023 was approximately RMB656.7 million (31 December 2022: approximately RMB515.4 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 2023, the Group's gearing ratio was approximately 31.2% (31 December 2022: 15.7%), calculated as the total bank borrowings (excluding discounted bills) less cash and bank balances, divided by total equity as at the end of the relevant year multiplied by 100%. The increase was mainly due to the increase in the Group's financing scale and the decrease in cash on hand as at the end of the period for the Year Under Review.

Pledge of assets

As at 31 December 2023, 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 RMB29.2 million (31 December 2022: RMB20.5 million) and RMB38.3 million (31 December 2022: RMB47.6 million), respectively.

Capital expenditures

Our capital expenditures primarily comprised expenditures for purchases of property, plant and equipment. Our capital expenditures amounted to approximately RMB138.5 million and RMB156.7 million for the Year Under Review and the year ended 31 December 2022, 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 2023, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings (31 December 2022: Nil).

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments of approximately RMB105.1 million (31 December 2022: approximately RMB155.8 million) in total in respect of plant and equipment and additional investment in an associate.

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 2023, 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 2023.

FUTURE OUTLOOK

Looking forward to 2024, the global economic situation will remain challenging, and the industry in which the Company operates will still see evolving downstream demands, which will affect the business performance of the Company. Accordingly, the Group will follow up the adjustment of national policies in a timely manner and closely monitor the macroeconomic trend so as to improve internal management, and adjust business strategies to ensure the achievement of the established objectives.

In terms of specific response measures, the Group will adhere to the bottom-line thinking of safety and environmental protection in 2024. In this regard, the Group will improve production organization to leverage advantages of production capacity, and will continue to optimize the production process and product structure so as to meet and even surpass the scheduled production. Focusing on frontier markets and strategic customers, the Group will continuously explore markets, and reasonably adjust the procurement structure and pace to maintain the stable operation of supply, production and sales. Endeavors will be made to complete key projects, extend the industrial chain, and expand the industrial scale to enhance our influence in the industry. More inputs will be injected into research and development to further pursue science and technology innovation. We will also improve quality awareness. By doing so, we will shift our focus towards technology innovation and management innovation so as to gain potential market share and alternative markets with new products, technologies and processes. In respect of management, due considerations will be given to implementation of rewards and punishments in order to explore the potential of cost reduction, and ensure achievement of annual performance targets.

Considering the downstream application market of tantalum and niobium, we firmly believe that the consumer electronics cycle has gradually bottomed out. In the future, with the development of new technologies such as new energy, 5G upgrading, semiconductors and high-end equipment manufacturing, the downstream demand for niobium will increase significantly. Success comes to those who share in one purpose, and those who are in the same boat will prosper. Being committed to its strategic positioning of "professional, integrated, large-scale, high-end, international and capital-based" operation, the Group will march towards a world-leading tantalum- and niobium-based manufacturing operator. To this end, we will continue to work together with concerted efforts and forge ahead with resolve, tenacity and pragmatic innovation to achieve the established business goals.

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 2023, the Group had a total of 678 employees (2022: 550 employees), total staff cost for the Year Under Review amounted to approximately RMB91.1 million (2022: approximately RMB62.6 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 2023 (2022: Nil).

CLOSURE OF THE REGISTER OF MEMBERS OF SHARES

To be eligible to attend and vote in the forthcoming annual general meeting

For the purposes of determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on Monday, 27 May 2024, the register of members of the Company will be closed from Wednesday, 22 May 2024 to Monday, 27 May 2024 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with Computershare Hong Kong Investor Services Limited, the Company's share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on Tuesday, 21 May 2024.

GOING CONCERN

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

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the Year Under Review and up to the date of this announcement, at least 25% of the issued shares of the Company was held by public shareholders as required under the Listing Rules.

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

During the Year Under Review and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE FUNCTIONS

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and adopted various measures to enhance the internal control system, the Directors' 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 C1 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.

On 5 February 2024, Mr. Yin Fusheng ("**Mr. Yin**") tendered his resignation as an independent non-executive Director, the chairman of the remuneration committee, and a member of each of the audit committee and the nomination committee of the Company, to focus on his other business engagements. Following the resignation of Mr. Yin, the Company was not in compliance with the requirements of (i) Rule 3.10(1) of the Listing Rules that the Board must include at least three independent non-executive Directors; and (ii) Rule 3.21 of the Listing Rules that the audit committee of the Company must comprise a minimum of three members. The Company is in the process of identifying suitable candidate(s) to fill the vacancy of independent non-executive Director and the member of the audit committee of the Company in order to meet the aforementioned Listing Rules requirements. For further details, please refer to the announcement of the Company dated 5 February 2024.

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 C3 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.

As at 31 December 2023, our audit committee comprised three members, namely Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Mr. Yin Fusheng; and as at the date of this announcement, our audit committee comprised two members, namely Mr. Lau Kwok Fai Patrick and Mr. Zhong Hui, 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 2023 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 results announcement complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

There is no material events after the reporting period as at the date of this announcement.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

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 2023 as set out in this announcement have been agreed by the Company'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 2023 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 2023 containing all necessary information as required by the Listing Rules will be sent to shareholders of the Company in due course as required, 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, 22 March 2024

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 two independent non-executive Directors, namely Mr. Lau Kwok Fai Patrick and Mr. Zhong Hui.