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XIMEI RESOURCES HOLDING LIMITED

稀美資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9936)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		% Changes Increase/ (decrease)
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	
Financial Highlights			
Revenue	902,593	632,657	42.7%
Cost of sales	(712,017)	(483,064)	47.4%
Gross profit	190,576	149,593	27.4%
Gross profit margin	21.1%	23.6%	(2.5)% points
Profit before tax	75,695	59,965	26.2%
Profit for the period	62,721	48,823	28.5%
Profit attributable to shareholders of the Company	62,266	44,819	38.9%
Basic earnings per share (RMB)	0.17	0.12	41.6%
	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)	% Changes Increase/ (decrease)
Liquidity and Gearing			
Current ratio (Note 1)	2.12	1.91	11.0%
Quick ratio (Note 2)	1.26	0.96	31.3%
Gearing ratio (Note 3)	20.3	31.2	(10.9)% points

Notes:

- (1) Current ratio represents total current assets divided by total current liabilities as at the relevant year/period end.
- (2) Quick ratio represents total current assets less inventories divided by total current liabilities as at the relevant year/period end.
- (3) Gearing ratio represents total bank borrowings excluding proceeds from discounted bills, less cash and bank balances, divided by total equity as at the relevant year/period end.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June 2024

		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
	<i>Notes</i>		
REVENUE	4	902,593	632,657
Cost of sales		<u>(712,017)</u>	<u>(483,064)</u>
Gross profit		190,576	149,593
Other income and gains, net		7,302	4,691
Selling and distribution expenses		(9,841)	(7,630)
Administrative expenses		(87,491)	(67,917)
Other operating expenses, net		(9,317)	(6,608)
Finance costs		(13,874)	(10,853)
Share of loss of an associate		<u>(1,660)</u>	<u>(1,311)</u>
PROFIT BEFORE TAX	5	75,695	59,965
Income tax	6	<u>(12,974)</u>	<u>(11,142)</u>
PROFIT FOR THE PERIOD		<u>62,721</u>	<u>48,823</u>
Attributable to:			
Shareholders of the Company		62,266	44,819
Non-controlling interest		<u>455</u>	<u>4,004</u>
		<u>62,721</u>	<u>48,823</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (<i>RMB</i>)	8	<u>0.17</u>	<u>0.12</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2024

	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	<u>62,721</u>	<u>48,823</u>
OTHER COMPREHENSIVE INCOME/ (LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(400)</u>	<u>(30)</u>
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	<u>4,411</u>	<u>6,693</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>4,011</u>	<u>6,663</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>66,732</u>	<u>55,486</u>
Attributable to:		
Shareholders of the Company	<u>66,277</u>	51,482
Non-controlling interest	<u>455</u>	<u>4,004</u>
	<u>66,732</u>	<u>55,486</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	375,984	385,340
Right-of-use assets		95,146	98,983
Investment in an associate		38,288	24,566
Prepayments, deposits and other receivables		62,306	39,084
Deferred tax assets		7,779	10,357
		579,503	558,330
CURRENT ASSETS			
Inventories		580,649	682,012
Trade and bills receivables	10	384,001	397,878
Prepayments, deposits and other receivables		226,923	166,857
Income tax recoverable		11,018	7,605
Derivative financial instruments		1,001	–
Cash and bank balances		233,335	115,547
		1,436,927	1,369,899
CURRENT LIABILITIES			
Trade payables	11	48,191	54,280
Other payables and accruals		115,091	96,951
Derivative financial instruments		903	–
Income tax payables		10,690	14,117
Bank borrowings		497,226	536,816
Lease liabilities		7,260	13,776
		679,361	715,940
NET CURRENT ASSETS		757,566	653,959
TOTAL ASSETS LESS CURRENT LIABILITIES		1,337,069	1,212,289

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	<i>Note</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings		164,300	101,862
Lease liabilities		2,020	4,247
		<u>166,320</u>	<u>106,109</u>
Total non-current liabilities		166,320	106,109
		<u>1,170,749</u>	<u>1,106,180</u>
Net assets		1,170,749	1,106,180
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	12	3,228	3,228
Reserves		1,090,894	1,026,780
		<u>1,094,122</u>	1,030,008
Non-controlling interest		76,627	76,172
		<u>1,170,749</u>	<u>1,106,180</u>
Total equity		1,170,749	1,106,180

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ 2020 Amendments ”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “ 2022 Amendments ”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The adoption of the above revised HKFRSs does not have a significant impact on the preparation of the Group’s unaudited interim condensed consolidated financial information.

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The People's Republic of China (the "PRC")	708,787	522,385
The United States of America	86,128	71,005
Canada	54,841	13
United Kingdom	22,388	8,865
Europe	22,076	11,882
Asia	7,270	18,384
Others	1,103	123
	<u>902,593</u>	<u>632,657</u>

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 30 June 2024 and 31 December 2023 were located in the PRC.

Information about major customer

A summary of revenue earned from external customer which contributed 10% or more of the Group's revenue for each of the periods ended 30 June 2024 and 2023 is set out below:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	102,303	75,056
Customer B	N/A*	66,004

* The corresponding revenue of the customer is not disclosed as the customer did not contribute 10% or more of the Group's total revenue for the relevant period.

4. REVENUE

Revenue of the Group for each of the periods ended 30 June 2024 and 2023 wholly represented revenue from contracts with customers.

Disaggregate revenue information

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of non-ferrous metal products	754,873	575,175
Trading of non-ferrous metal products	146,835	56,700
Provision of non-ferrous metal processing services	885	782
	<hr/>	<hr/>
Total	902,593	632,657
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
Goods transferred and services rendered at a point in time	902,593	632,657
	<hr/> <hr/>	<hr/> <hr/>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold:		
Self-produced goods	571,341	428,995
Trading goods	<u>140,192</u>	<u>53,714</u>
	<u>711,533</u>	<u>482,709</u>
Cost of services provided	484	355
Depreciation of property, plant and equipment	15,681	10,986
Depreciation of right-of-use assets	3,931	4,043
Research and development costs	36,993	25,451
(Gain)/loss on disposal of items of property, plant and equipment, net	(98)	381
Impairment of trade receivables	1,366	1,282
Foreign exchange differences, net	<u>7,585</u>	<u>4,297</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the period (2023: 25%). During the period, Ximei Resources (Guangdong) Limited and Ximei Resources (Guizhou) Limited were qualified as a high and new technology enterprise and enjoyed a preferential income tax rate at 15% (2023: 15%) and 15% (2023: 15%), respectively.

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – The PRC		
Charge for the period	10,308	8,098
Current – Hong Kong		
Charge for the period	141	3,044
Deferred	<u>2,525</u>	<u>–</u>
Total tax charge for the period	<u>12,974</u>	<u>11,142</u>

7. DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

8. 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 period attributable to shareholders of the Company of RMB62,266,000 (six months ended 30 June 2023: RMB44,819,000), and the weighted average number of ordinary shares in issue during the period less shares held for share award scheme of the Company of 359,404,533 (six months ended 30 June 2023: 359,652,030).

No adjustment has been made to the basic earnings per share amount presented for each of the six months ended 30 June 2024 and 2023 for a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment at a cost of RMB8,275,000 (six months ended 30 June 2023: RMB40,839,000).

During the six months ended 30 June 2024, plant and machinery with a net book value of RMB2,092,000 (six months ended 30 June 2023: RMB1,381,000) were disposed of by the Group, resulting in a net gain on disposal of RMB98,000 (six months ended 30 June 2023: net loss on disposal of RMB381,000).

10. TRADE AND BILLS RECEIVABLES

An ageing analysis of the trade and bills receivables as at 30 June 2024 and 31 December 2023, based on the invoice date and net of loss allowance, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	237,221	281,579
1 to 2 months	111,492	63,373
2 to 3 months	15,743	46,897
Over 3 months	19,545	6,029
Total	384,001	397,878

11. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2024 and 31 December 2023, based on the invoice date, is as follows:

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 month	8,807	32,831
1 to 2 months	21,666	12,861
2 to 3 months	5,068	2,313
Over 3 months	12,650	6,275
	<u>48,191</u>	<u>54,280</u>
Total	48,191	54,280

12. SHARE CAPITAL

	30 June 2024		31 December 2023	
	<i>HK\$'000</i>	Equivalent to <i>RMB'000</i>	<i>HK\$'000</i>	Equivalent to <i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Authorised:				
1,000,000,000 ordinary shares of HK\$0.01 each	<u>10,000</u>		<u>10,000</u>	
Issued and fully paid:				
360,000,000 ordinary shares of HK\$0.01 each	<u>3,600</u>	<u>3,228</u>	<u>3,600</u>	<u>3,228</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT REVIEW

In the first half of 2024, the international situation remained complex and volatile, the competitive landscape was unpredictable, downstream demand recovery was still below expectations, industry market competition intensified, and uncertainty risks increased. Facing a severe market situation, the Company actively changed its business strategy, adopted an integrated approach in procurement and sales, timely adjusted the pace of procurement and sales, flexibly responded to market changes and focused on expanding the market. With the efforts of all personnel, the Company achieved a good performance in the first half of the year with growth in both revenue and profit. Operating revenue amounted to approximately RMB902.6 million, representing an increase of 42.7% over the same period of last year. During the six months ended 30 June 2024 (the “**Reporting Period**”), the Group recorded a profit for the period of approximately RMB62.7 million, representing an increase of 28.5% over the same period of last year.

MARKET AND INDUSTRY REVIEW

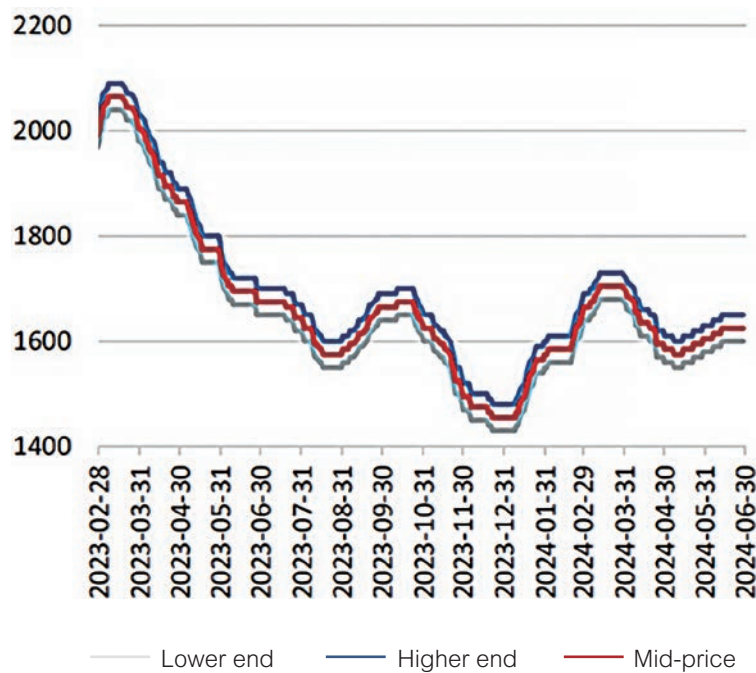
Tantalum and niobium are silver-white metals with excellent properties such as high melting point, high strength, high corrosion resistance, good ductility, wear resistance and superconductivity. Their related end products are widely used in semiconductor, high-end electronics, aerospace, defense and military, optical, medical and other fields. They are truly multifunctional metals.

1. Market review of tantalum-based products

The supply of tantalum resources is divided into primary and secondary supply. The primary supply of tantalum comes from mines, mainly in Africa, South America and Australia, with Africa being the main tantalum-producing region; the secondary supply is mainly from government reserves and the recycling of waste and slag, which accounts for a relatively small percentage.

In the first half of 2024, downstream demand continued to be weak, with customers primarily focusing on depleting their inventories. After a brief increase, the price of tantalum ores quickly fell back, remaining generally stable. According to asianmetal.cn, as of 30 June 2024, the annual average ex-factory price of 99.5% ditantalum pentoxide in China decreased by 3% year-on-year. In the future, with the expansion plans of mining areas in Australia, Brazil, and other regions, we expect the primary supply of tantalum (mining extraction) to show a continuous increase.

Ex-factory price of 99.5% ditantalum pentoxide in China (RMB/kg)

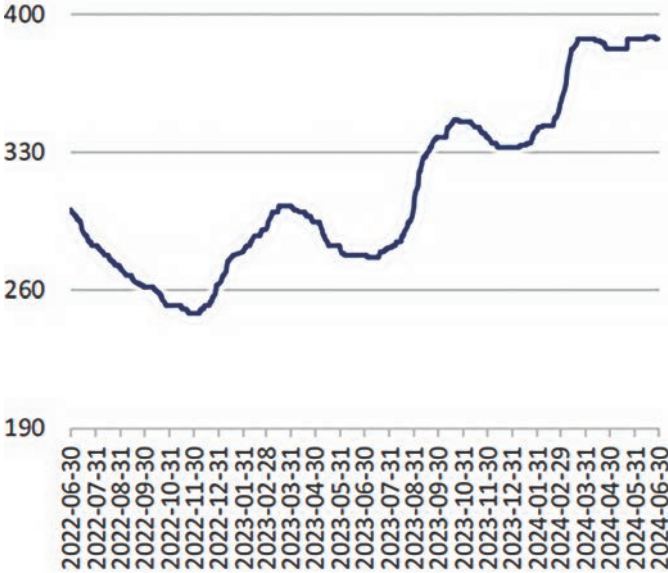


Source: asianmetal.cn

2. Market review of niobium-based products

Niobium mines are mainly located in Brazil and Canada, with Brazil alone accounting for 85% of the world’s niobium reserves and having a highly concentrated supply. Niobium is widely used in niobium steel, superalloy, new energy, optical glass, superconducting materials and other downstream areas, with over 90% of niobium mainly used in the production of high-strength niobium steel. In the first half of 2024, although downstream demand has not fully recovered, as of 30 June 2024, the annual average ex-factory price of 99.5% diniobium pentoxide in China increased by 40% year-on-year according to the quotations of asianmetal.cn.

Ex-factory price of 99.5% diniobium pentoxide in China (RMB/kg)



Source: asianmetal.cn

In recent years, with the accelerated development of China's military industry, aerospace, and the replacement of imported products by domestic production for new materials, tantalum and niobium, as strategic and fundamental metals for microelectronic materials, welcomed a new round of development opportunities and are expected to have sustained growth in the long term. Taking tantalum metal as an example, it is mainly used in capacitors, semiconductors, and surface acoustic wave (SAW) filters in the electronics industry. The global tantalum capacitor market is divided into automotive, communication, computer, industrial, and military sectors. It is the most widely used capacitor in the communication and electronics industries. In the long term, the trend for the tantalum capacitor market is positive. Firstly, in terms of high-temperature, high-pressure, and reliability applications, tantalum capacitors have significant advantages and irreplaceability compared to other low-cost capacitors, and these fields are all showing growth trends. Secondly, with the output of lower-cost tantalum ore, the production cost of tantalum capacitors is expected to decrease accordingly, which in the long run will stimulate high growth and high consumption in the tantalum capacitor industry. Thirdly, industries such as AI intelligence, smart cars, fast charging, and wireless communication are expected to develop rapidly in the future, which will also promote the continuous growth of tantalum demand. At the same time, tantalum and niobium are essential additives for high-temperature alloys used in aircraft engines and gas turbines. Driven by the demands in weapon preparation, aeronautics, aerospace, and domestic substitution, it is estimated that China's high-temperature alloy increment could reach 100 thousand tons after 10 years.

BUSINESS REVIEW

Seeking progress and stability in production, and focusing on efficiency improvement

The Group adheres to an integrated industrial chain operation model, possessing a complete production process that includes both pyrometallurgical and hydrometallurgical smelting. By using “hydrometallurgy as a shield and pyrometallurgy as a spear”, the Group continuously optimized its product structure to enhance its risk resistance capability, thereby being able to stably supply customers with higher quality products. In the first half of 2024, the Group continuously strengthened safety and environmental awareness, optimized production processes, and focused on stable production and efficiency improvement. As a result, hydrometallurgical production and pyrometallurgical production increased by an average of 25.1% year-on-year, fully utilizing existing production capacity. Some high purity products achieved breakthroughs in volume.

Innovating marketing model and boldly capturing market share

In the first half of 2024, the global economy remained sluggish, and the recovery of market demand was below expectations. The Group continuously innovated its marketing model, ensuring supply through long-term contracts and vigorously expanding domestic and international sales. The customer coverage became broader, and the revenue from the trade segment and self-operated business showed a significant year-on-year increase. Notably, the sales of niobium metal products and high value-added products (such as high purity products) grew rapidly, with some new products having already passed strategic customer certification and being supplied in bulk. Overall, during the Reporting Period, the Group achieved total operating revenue of approximately RMB902.6 million, representing an increase of 42.7% over the same period of last year. The domestic market recorded an increase in the operating revenue of 35.7% over the same period of last year. The international market recorded an increase in the operating revenue of 75.8% over the same period of last year. Both the customer base and distribution have shown significant breakthroughs and optimizations.

Adjusting the procurement strategy with controllable procurement costs

During the Reporting Period, the pace of fluctuations in raw material supply accelerated. The Group consistently adhered to demand-based procurement, coordinated both international and domestic markets, flexibly adjusted procurement strategies and raw material structures, consistently maintained relatively low procurement costs, and ensured stable production operations.

Optimizing the management system and empowering business development

The Group focused on quality improvement and upgrading, continuously optimized the management system, empowered business development, and enhanced the long-term core competitiveness of the enterprise. During the Reporting Period, the Group adhered to the bottom line thinking of safety and environmental protection. Through safety month activities, emergency drills, internal and external inspections, and employee training, the Group ensured stable production operations, passed the expert review of safety standardization, and obtained the qualification of a clean production enterprise. Inventory management was further strengthened, with significant year-on-year improvements in auxiliary material consumption, inventory structure and total inventory amount. The Group made every effort to promote key projects such as quality improvement, process innovation, and resource recycling, resulting in substantial improvements in various core indicators. Continuous investment in research and development was strengthened to drive innovation and improvement in process flows. As of 30 June 2024, the Group was granted a total of 116 patents, including 23 invention patents, with 4 new invention patents during the Reporting Period. At the same time, the Group continuously optimized its management mechanisms and organizational systems, established the core values of “Responsibility, Value, Innovation, and Win-win”, conducted talent inventory and training, optimized personnel allocation and incentive systems, and built a development system for high-quality talents.

FINANCIAL REVIEW

Revenue

The Group's revenue comprised revenue generated from sale of products and the provision of processing services. The following table sets forth our total revenue by source for the periods indicated:

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Sales of products	901,708	99.9%	631,875	99.9%
Provision of processing services	885	0.1%	782	0.1%
Total revenue	<u>902,593</u>	<u>100.0%</u>	<u>632,657</u>	<u>100.0%</u>

During the six months ended 30 June 2024, the Group was principally engaged in sale of tantalum- and niobium-based hydrometallurgical oxide and tantalum- and niobium-based pyrometallurgical metal products. In particular, hydrometallurgical oxide products mainly include tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, and pyrometallurgical products mainly include tantalum powder, tantalum bars, tantalum ingots, niobium bars, niobium ingots, molten niobium and ferroniobium.

The Group's total revenue increased by approximately RMB269.9 million or 42.7% from approximately RMB632.7 million for the six months ended 30 June 2023 to approximately RMB902.6 million for the Reporting Period. Such increase was mainly due to the Group's timely adjustment of procurement and sales strategy and flexible response to market changes, which resulted in an increase in customer coverage rate and market share. Specifically, the growth of the international business was further expanded, with niobium metal products and high-purity niobium pentoxide experiencing a significant increase in volume and price.

Cost of sales

Cost of sales represented the direct costs of production, which comprised raw materials costs, factory overheads, electricity and fuel costs, labour costs and processing fees in respect of our processed products, and inventory costs in respect of our trading products. For the two periods for the six months ended 30 June 2024 and 2023, our cost of sales amounted to approximately RMB712.0 million and RMB483.1 million, respectively.

Our materials costs mainly represented the cost for purchasing tantalum and niobium ores, and accounted for approximately 86.9% and 83.5% of our total cost of sales for the Reporting Period and the six months ended 30 June 2023, respectively. Our cost of sales increased by approximately RMB228.9 million or 47.4% from approximately RMB483.1 million for the six months ended 30 June 2023 to approximately RMB712.0 million for the Reporting Period. The increase in proportion of cost of sales was mainly due to the increase in unit prices of raw materials purchased and a significant year-on-year increase in costs resulting from expanding production capacity.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB41.0 million or 27.4% from approximately RMB149.6 million for the six months ended 30 June 2023 to approximately RMB190.6 million for the Reporting Period, mainly driven by the significant increase in sales of our products.

Our gross profit margin decreased from approximately 23.6% for the six months ended 30 June 2023 to approximately 21.1% for the Reporting Period. Such decrease during the Reporting Period was mainly attributable to the increase in unit prices of raw materials purchased and changes in product sales structure during the Reporting Period.

Other income and gains, net

Our other income and gains, net primarily comprised government subsidies, bank interest income, reversal of impairment of trade receivables and inventories. We received government grants from local government authorities for engaging in research and development activities. Subsidies vary from year to year.

Our other income and gains, net increased by approximately RMB2.6 million or 55.7% from approximately RMB4.7 million for the six months ended 30 June 2023 to approximately RMB7.3 million for the Reporting Period. Such increase was mainly attributable to the increase in government grants.

Selling and distribution expenses

Our selling and distribution expenses primarily comprised expenses for transportation and packaging for delivery of products, salaries and benefits for personnel of our sales and procurement department and travelling and entertainment expenses. Our selling and distribution expenses increased by approximately RMB2.2 million or 29.0% from approximately RMB7.6 million for the six months ended 30 June 2023 to approximately RMB9.8 million for the Reporting Period. Such increase was mainly attributable to the increase in delivery and transportation costs as a result of the expansion of sales scale.

Administrative expenses

Our administrative expenses primarily comprised expenses for research and development expenses and staff costs of our administrative and management staff. Our administrative expenses increased by approximately RMB19.6 million or 28.8% from approximately RMB67.9 million for the six months ended 30 June 2023 to approximately RMB87.5 million for the Reporting Period. Such increase was mainly attributable to the increase in remuneration of employees and research and development costs of the Group during the Reporting Period.

Our research and development costs amounted to approximately RMB37.0 million and RMB25.5 million for the Reporting Period and the six months ended 30 June 2023, respectively. Such costs were mainly used for the improvement and optimisation of the production process, as well as projects related to high-purity tantalum and niobium metal new materials and new product process development.

Other expenses

Our other expenses mainly comprised net foreign exchange differences. Our other expenses increased by approximately RMB2.7 million from approximately RMB6.6 million for the six months ended 30 June 2023 to approximately RMB9.3 million for the Reporting Period. Such increase was mainly due to higher foreign exchange losses as a result of the significant exchange rate fluctuations during the Reporting Period.

Finance costs

Our finance costs mainly represented interest on bank borrowings. Our finance costs for the Reporting Period and the six months ended 30 June 2023 amounted to approximately RMB13.9 million and RMB10.9 million, respectively. The finance costs increased by approximately RMB3.0 million or 27.8% as comparing to that of last year, mainly as a result of the increase in discounted costs expenditure during the Reporting Period.

Income tax expense

Our Group was accredited as a high and new technology enterprise (高新技術企業), allowing us to enjoy a lower applicable tax rate of 15%, as compared to 25% pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法). In addition, we enjoyed tax refund policy benefits at the rate of 13% for our export sales of tantalum bars.

Our income tax expense for the Reporting Period and the six months ended 30 June 2023 amounted to approximately RMB13.0 million and RMB11.1 million, respectively. Our effective tax rate for the Reporting Period and the six months ended 30 June 2023 was approximately 17.1% and 18.6%, respectively. The decrease in our effective tax rate was mainly due to the decrease in profit before taxation and the full utilization of national tax deduction policy for additional deduction of research and development expenses. The details are set out in Note 6 to condensed consolidated financial statements of this announcement.

Profit for the Reporting Period

As a result of the foregoing, the Group recorded net profit for the Reporting Period and the six months ended 30 June 2023 of approximately RMB62.7 million and RMB48.8 million, respectively, representing an increase of approximately RMB13.9 million or 28.5%. Our net profit margin was approximately 6.9% and 7.7% for the Reporting Period and the six months ended 30 June 2023, respectively. The decrease in net profit margin was mainly attributable to the adjustments in product structure during the Reporting Period, along with the year-on-year increase in raw material procurement unit prices, which led to a decrease in gross profit margin.

Profit attributable to shareholders of the Company

As a result of the foregoing, the Group recorded profit attributable to shareholders of the Company for the Reporting Period and the six months ended 30 June 2023 of approximately RMB62.3 million and RMB44.8 million, respectively, representing an increase of approximately RMB17.4 million or 38.9%.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

During the Reporting Period, we financed our operations by cash generated from operating activities, bank borrowings and net proceeds from the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”). As at 30 June 2024, we had cash and cash equivalents of approximately RMB233.3 million (as at 31 December 2023: approximately RMB115.5 million). In the future, we intend to finance our operations by cash generated from operating activities, bank borrowings and net proceeds from the Listing.

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

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

Cash flows

During the Reporting Period, the Group’s cash and bank balances increased by approximately RMB117.8 million, which mainly comprised the net cash from operating activities with the amount of approximately RMB130 million, net cash used in investing activities with the amount of approximately RMB14.8 million, net cash from financing activities with the amount of approximately RMB0.3 million, and the positive effect of foreign exchange rate changes of approximately RMB2.3 million.

CAPITAL STRUCTURE

Indebtedness

The total indebtedness of the Group as at 30 June 2024 was approximately RMB670.8 million (as at 31 December 2023: approximately RMB656.7 million). During the Reporting Period, there was no significant change in the scale of the Group's debt mainly due to the Company's enhanced management of sales collections, which has improved operating cash flow, resulting in little change in the total borrowings.

Gearing ratio

As at 30 June 2024, the Group's gearing ratio was approximately 20.3% (as at 31 December 2023: 31.2%), calculated as the total bank borrowings, less cash and bank balances, divided by total equity as at the end of the relevant period multiplied by 100%. The decrease was mainly due to the year-on-year increase in cash and bank balances at the end of the Reporting Period.

Pledge of assets

As at 30 June 2024, our bank borrowings were secured by the pledge of certain of our Group's leasehold land and property, plant and equipment with aggregate carrying amounts of approximately RMB48.9 million and RMB64.6 million, respectively.

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 aggregate carrying amounts of approximately RMB49.4 million and RMB43.0 million, respectively.

Capital expenditures

Our capital expenditures primarily comprised expenditures for purchases of property, plant and equipment. Our capital expenditures amounted to approximately RMB8.3 million and RMB40.8 million for the Reporting Period and the six months ended 30 June 2023, respectively.

Our current plan with respect to future capital expenditures is subject to changes based on the evolution of our business plan, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures.

Foreign currency exposure

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

The Renminbi is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. During the Reporting Period, the Group established a foreign exchange rate risk management system within the Company to address the exchange rate risk. The Directors and management will continue to closely monitor the foreign exchange exposure and take effective measures to prevent exchange rate risk in a timely manner.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 30 June 2024, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings (as at 31 December 2023: nil).

CAPITAL COMMITMENT

As at 30 June 2024, the Group had capital commitment of approximately RMB59.9 million (as at 31 December 2023: approximately RMB105.1 million).

SEGMENT INFORMATION

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

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the six months ended 30 June 2024, the Group had not made any material acquisition or disposal.

SIGNIFICANT INVESTMENTS

The Company had not held any significant investments during the six months ended 30 June 2024.

Saved as disclosed above, there were no other specific plans for material investments or capital assets as at 30 June 2024.

FUTURE OUTLOOK

As critical elements in high-tech industries, tantalum and niobium are increasingly valued by countries worldwide, where the United States, the European Union, Japan, and other countries have recognized them as important strategic metals. With the rapid development of defense and military industries such as 5G, high-end electronics, new energy vehicles, biomedicine and aerospace, the demand for rare metals, including tantalum and niobium, will continue to increase. Driven by favourable policies, market conditions and other positive factors, the tantalum and niobium market will have a brighter prospect for downstream applications.

With the strategic positioning of “professional, integrated, large-scale, high-end, international and capital-based” operation, the Group will break traditional thinking, optimize production processes, leverage innovation leadership, reduce costs and improve efficiency throughout the entire process, establish a production and sales linkage mechanism, and make every effort to expand the market. Meanwhile, the Group will focus on customer service, consolidate fundamental management, and enhance corporate culture and talent team building, steadily moving towards the vision of “becoming a world-leading manufacturer and operator of tantalum- and niobium-based products”.

HUMAN RESOURCES AND TRAINING

We believe that our long-term growth depends on the expertise and experience of our employees. We primarily recruit our personnel through campus recruiting, career fairs, recruitment websites and internal recommendation. We provide regular training programmes to our employees, including, among others, introductory training, safety training and technical training, to enhance their skill and knowledge. As at 30 June 2024, the Group had a total of 642 employees. For the six months ended 30 June 2024, the Group’s total remuneration paid to employees was approximately RMB57.7 million.

The salaries of our employees depend mainly on their position, nature of work and results of their annual performance evaluation. For employees of our PRC subsidiary, we made contributions to social insurance funds, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident funds for our employees in accordance with applicable PRC laws and regulations. We have established a labour union that aims to protect our employees' legal rights, assist us in attaining our economic objectives and encourage employees to participate in management decisions.

DIVIDENDS

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: nil).

OTHER INFORMATION

PRINCIPAL ACTIVITIES

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

PUBLIC FLOAT

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

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

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

GOING CONCERN

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

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 12 March 2020. Net proceeds from the placing of the shares were approximately RMB92.7 million (equivalent to approximately HK\$105.5 million), after deduction of the underwriting commission and relevant expenses. As at 30 June 2024, the Group had used net proceeds of approximately RMB87.9 million. The following table illustrates the status of the use of net proceeds according to the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 26 February 2020 (“**Prospectus**”) as at 30 June 2024:

		Planned use of proceeds as disclosed in the Prospectus	Actual utilised amount as at 30 June 2024	Unutilised amount as at 30 June 2024
	<i>%</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Construction of new production facilities to produce tantalum powder and bars	28.9%	26.8	26.8	–
Acquisition and installing of machinery and equipment to produce tantalum powder and bars	36.0%	33.4	33.4	–
Other expenses for setting up the new production facilities	3.9%	3.6	3.6	–
Financing five research and development projects	17.9%	16.6	13.6	3.0
Strengthening the sales network in Europe and sourcing channels in Brazil	3.5%	3.2	1.4	1.8
General working capital	9.8%	9.1	9.1	–
Total	100.0%	92.7	87.9	4.8

The unutilised amount of net proceeds of approximately RMB4.8 million is expected to be completely utilised by December 2024.

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 Listing Rules, and adopted various measures to enhance the internal control system, the Directors’ continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practises with reference to local and international standards.

During the Reporting Period and up to the date of this announcement, the Company has complied with the code provisions, other than code provisions C.2.1 of the CG Code as set out in Appendix 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 the 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 the 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 the Group which is beneficial to the management and business development of the Group; and (iii) all major decisions are made in consultation with members of the Board and relevant Board committees, which consist of three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company and that it is in the best interest of the Group to have Mr. Wu taking up both roles. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the 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 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 and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the Reporting Period and up to the date of this announcement.

REVIEW BY AUDIT COMMITTEE

We have established an audit committee (the “**Audit Committee**”) on 19 February 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules.

Our Audit Committee has three members, namely Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Ms. Shi Ying, all of whom are our independent non-executive Directors. Mr. Lau Kwok Fai Patrick, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The financial information in this announcement has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited financial statements, this results announcement and the interim report of the Company for the six months ended 30 June 2024 with the management of the Group and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements in this announcement complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENT AFTER THE REPORTING PERIOD

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

DISCLOSURE OF INFORMATION

This interim results announcement for the six months ended 30 June 2024 is published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (<http://www.ximeigroup.com>). The interim report for 2024 will be sent to shareholders of the Company in due course, and will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (<http://www.ximeigroup.com>) under “Investor Relations”.

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

Hong Kong, 23 August 2024

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