稀美資源控股有限公司
XIMEI RESOURCES HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9936

2021
ANNUAL REPORT

CORPORATE PROFILE

Ximei Resources Holding Limited (the "Company" or "Ximei Resources", together with its subsidiaries, collectively the "Group" or "we" or "us") was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in March 2020 and the Company has become the holding company of the Group for the purpose of the listing and holds three subsidiaries (namely Xinjia Group Limited (新佳集團有限公司), Ximei Resources (Hong Kong) Limited (稀美資源(香港)有限公司) and Ximei Resources (Guangdong) Limited* (稀美資源(廣東)有限公司) ("Ximei Guangdong"), two wholly-owned subsidiaries under Ximei Guangdong, namely Ximei Resources (Guizhou) Technology Company Limited* ("Ximei Guizhou") and Ximei (Hainan) Trading Company Limited* ("Ximei Hainan"), as well as two associates, namely Tianmei Lithium Energy (Sichuan) Co., Ltd. and CNNC Huazhong New Materials Co., Ltd..

The Company's subsidiaries are principally engaged in the manufacturing and sale of tantalum – and niobium-based products, including tantalum – and niobium-based hydrometallurgical products and tantalum – and niobium-based pyrometallurgical products. In particular, hydrometallurgical products mainly include tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, and pyrometallurgical products mainly include tantalum bars, tantalum rods and molten niobium. We also sell tantalum – and niobium-based metal products, such as tantalum powder, tantalum bars, niobium bars and niobium powder. The Group is an early participant in the People's Republic of China (the "PRC") non-state owned market participant in this industry and a leading producer of tantalum wet metallurgy products in the PRC.

The history of the Group began on 9 May 2006 with the establishment of Ximei Guangdong in Yingde City, Guangdong Province, the PRC. The Group operates most of its business through its PRC subsidiary, Ximei Guangdong. Ximei Guangdong is a major tantalum – and niobium-based hydrometallurgical enterprise in the PRC, focusing on the research and development and production of potassium heptafluorotantalate, niobium pentoxide, tantalum pentoxide, high-purity niobium pentoxide and high-purity tantalum pentoxide, which are widely used in high-end electronics, aerospace, defence and military, optical and medical fields. The Group has passed the quality, environment, occupational health, intellectual property and other management systems certification.

The Group is a national high-tech enterprise, and has been recognized as an innovative enterprise of Guangdong Province, an excellent enterprise of Guangdong Province, a high-growth enterprise of Guangdong Province, a specialized and innovative enterprise of Guangdong Province, a doctoral workstation of Guangdong Province and a provincial intellectual property demonstration enterprise. The Group has established a provincial enterprise technology center, a provincial and municipal engineering technology center, a provincial and municipal science and technology specialist workstation, and has won the second prize for the scientific and technological achievements of non-ferrous metals in the PRC, and the provincial excellent scientific and technological achievement. The Group has nine high-tech products and has been recognized as an advanced unit of talent work in Yingde City for three consecutive years.

Ximei Guangdong has the leading production capacity in China. In terms of production volume, the Group's market share of tantalum – and niobium-based hydrometallurgical products was approximately 35.8%[1] in 2018 and over 30.0%[2] for three consecutive years in 2019, 2020 and 2021. The Group invested in the construction of the pyrometallurgical projects in Qingyuan, Guangdong Province and Qianxinan Prefecture, Guizhou Province, respectively, in 2020 and the Guizhou project was completed in phases in 2021, and was able to sell tantalum bars, molten niobium and other products, thereby achieving the vertical extension of the Group's industrial chain.

Notes:

1. Reference is made to the data from 2018 Industry Report by China Insights Consultancy Limited.
2. Reference is made to the data from the statistics of Ximei Resources.

* For identification purpose only.

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wu Lijue *(Chairman)*
Ms. Wu Shandan

Non-executive Director

Mr. Zeng Min (resigned on 23 February 2021)

Independent Non-executive Directors

Mr. Lau Kwok Fai Patrick
Mr. Zhong Hui
Mr. Yin Fusheng

AUDIT COMMITTEE MEMBERS

Mr. Lau Kwok Fai Patrick *(Chairman)*
Mr. Zhong Hui
Mr. Yin Fusheng

NOMINATION COMMITTEE MEMBERS

Mr. Wu Lijue *(Chairman)*
Mr. Zhong Hui
Mr. Yin Fusheng

REMUNERATION COMMITTEE MEMBERS

Mr. Yin Fusheng *(Chairman)*
Mr. Zhong Hui
Mr. Lau Kwok Fai Patrick

COMPANY SECRETARY

Mr. Chan Hon Wan *(HKICPA)*

AUTHORISED REPRESENTATIVES

Ms. Wu Shandan
Mr. Chan Hon Wan *(HKICPA)*

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Certified Public Accountants
Registered Public Interest Entity Auditor
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COMPLIANCE ADVISER

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Guangdong Province
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Bank of China
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Qingyuan City
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People's Republic of China

COMPANY'S WEBSITE

www.ximeigroup.com

STOCK CODE

9936

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2021 RMB'000	2020 RMB'000	Changes Increase/ (decrease)
Financial Highlights			
Revenue	**763,725**	601,652	26.9%
Cost of sales	**(558,205)**	(429,002)	30.1%
Gross profit	**205,520**	172,650	19.0%
Profit before taxation	**118,550**	87,164	36.0%
Profit for the year	**102,065**	70,309	45.2%
Basic earnings per share (in RMB)	**0.34**	0.25	36.0%
Proposed final dividend per share (HK cents)	**Nil**	Nil	–

	As at 31 December		
	2021 RMB'000	2020 RMB'000	Changes Increase/ (decrease)
Liquidity and Gearing			
Current ratio *(Note 1)*	**1.78**	2.40	(25.8%)
Quick ratio *(Note 2)*	**1.17**	1.50	(22.0%)
Gearing ratio *(Note 3)*	**28.1%**	15.2%	12.9% pts

Notes:

(1) Current ratio represents total current assets divided by total current liabilities as at the relevant year end.

(2) Quick ratio represents total current assets less inventories divided by total current liabilities as at the relevant year end.

(3) Gearing ratio represents total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant year multiplied by 100%.

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Ximei Resources Holding Limited, I hereby take pride and pleasure in presenting the annual report of the Company for the year ended 31 December 2021 (the "Year Under Review") to our shareholders (the "Shareholders") and potential investors.

The year of 2021 is the second year since the listing of the Company. The entry into the capital market is a new milestone for the business development of the Group, which means the Group will embrace better development opportunity to expand its capital basis, increase its brand value and gain more recognition from its partners, but at the same time, it will face greater challenges. We will continue to adhere to a pragmatic and open attitude, improve operational management and research and development innovation, take a further step to maintain our industry leading position and bring the best value and reward for the Shareholders.

Since its establishment in 2006, the Group has been focusing on the production and sales of niobium pentoxide, tantalum pentoxide and potassium heptafluorotantalate. We are able to process our products into varying specifications and purity levels to meet different requirements for our customers. Since 2021, the Group's tantalum and niobium pyrometallurgical project has been completed and commenced operation in phases, producing tantalum- and niobium-based pyrometallurgical products such as tantalum bars, tantalum rods and molten niobium.

ANNUAL REVIEW AND OUTLOOK

In 2021, the international political and economic situation was complicated, and the outbreak of novel coronavirus (COVID-19) (the "Pandemic") resurged around the world, which had significant impact on the global economy and social life. The Chinese government scientifically coordinated the prevention and control of the Pandemic and economic and social development, resulting in a national year-on-year growth of 8.1% in gross domestic product and a stable recovery of the national economy.

In 2021, the prices of non-ferrous metals surged strongly, with the prices of some metals even hitting record highs. The main factors include: firstly, affected by the Pandemic, the U.S. Federal Reserve's monetary policy continued to be accommodative, the market had excess liquidity and some funds flowed into the non-ferrous metals market; secondly, affected by domestic and overseas electricity restrictions and other factors, the smelters' production of non-ferrous metals was unstable and production was reduced and suspended from time to time, resulting in a tight supply of some non-ferrous metals, with low inventories and high price rise becoming a phase feature; thirdly, there was strong recovery in downstream demand after the fight against the Pandemic in 2020; and fourthly, under the overall trend of carbon neutrality and carbon peaking, new energy sources gained popularity, driving up the prices of metals related to new energy batteries.

Prices of tantalum and niobium based metal also rose considerably in 2021 due to the combined effect of economic growth and improved industry performance. According to asianmetal.cn, the annual average ex-factory price of 99.5% ditantalum pentoxide in China rose by 8.7% year-on-year and the annual average ex-factory price of 99.5% diniobium pentoxide in China rose by 14.5% year-on-year in 2021.

The tantalum and niobium based metallurgical industry and its upstream and downstream industries were less affected by the Pandemic and the Group's raw material supply remained stable and sales continued to grow in 2021. During the Year Under Review, the total production volume of pentoxide and potassium heptafluorotantalate, which are the principal products of the Group, amounted to approximately 1,684 tonnes, and the total sales volume of pentoxide and potassium heptafluorotantalate amounted to approximately 1,686 tonnes. The Group has achieved a revenue of approximately RMB763.7 million, representing a year-on-year increase of 26.9%, and net profit of approximately RMB102.1 million, representing a year-on-year increase of 45.2%.

Facing both opportunities and challenges, all staff members of the Group seized the opportunities and embraced the challenges with courage, stayed true to our original mission, remained professional and dedicated, and worked hard to maintain production quality and actively explore the market, which enabled the Group to achieve record-high operating revenue and net profit, further enhance its market competitiveness and take its operation to a new level.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude for the trust and support from all of our Shareholders and business partners, and we are thankful for our management team and all of our staff for their valuable contributions towards the development of the Group. The Group will continue to spare no efforts to achieve better results, and create better returns and highest values for our Shareholders.

Mr. Wu Lijue
Chairman of the Board

Hong Kong, 30 March 2022

BUSINESS REVIEW

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

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

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

Progress was made in various projects

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

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

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

The Group achieved remarkable results and received numerous capital market awards

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

FINANCIAL REVIEW

Revenue

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

	For the year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Sale of manufacturing goods	**597,371**	**78.2%**	580,395	96.5%
Sale of trading goods	**87,246**	**11.4%**	15,462	2.5%
Provision of processing services	**79,108**	**10.4%**	5,795	1.0%
Total revenue	**763,725**	**100.0%**	601,652	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			
	2021		2020	
	RMB'000	%	RMB'000	%
Pentoxide products	**412,899**	**54.1%**	422,462	70.3%
Tantalum pentoxide				
– Industrial grade tantalum pentoxide	**122,096**	**16.0%**	128,536	21.4%
– High-purity tantalum pentoxide	**17,282**	**2.3%**	4,570	0.8%
Niobium pentoxide				
– Industrial grade niobium pentoxide	**199,889**	**26.2%**	246,510	41.0%
– High-purity niobium pentoxide	**73,632**	**9.6%**	42,846	7.1%
Potassium heptafluorotantalate	**172,512**	**22.6%**	97,499	16.2%
Recycled products	**76,717**	**10.0%**	20,648	3.4%
Others	**101,597**	**13.3%**	61,043	10.1%
Total revenue	**763,725**	**100.0%**	601,652	100.0%

During the two years ended 31 December 2021 and 2020, our products sold included: (i) pentoxide products; (ii) potassium heptafluorotantalate; (iii) recycled products; and (iv) others. Out of the products we sold, pentoxide products accounted for approximately 54.1% and 70.3% of our total revenue for the two years ended 31 December 2021 and 2020, respectively.

The Group's revenue increased by approximately RMB162.0 million or 26.9% from approximately RMB601.7 million for the year ended 31 December 2020 to approximately RMB763.7 million for the Year Under Review. The increase was mainly due to the increase in revenue generated from sale of products of potassium heptafluorotantalate and recycled products, while partially offset by the decrease in revenue generated from sale of pentoxide products.

Pentoxide Products

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

Potassium Heptafluorotantalate

For the Year Under Review, our revenue generated from sale of potassium heptafluorotantalate amounted to approximately RMB172.5 million, representing an increase of approximately RMB75.0 million or 76.9% from approximately RMB97.5 million for the year ended 31 December 2020. Such increase was mainly due to the increase in sales volume.

Recycled Products

During the Year Under Review, our recycled products sold mainly included three types of products produced by recycling our waste materials, namely tin hydroxide, potassium hepta fluorosilicate and tungsten acid. The increase in revenue generated from sale of recycled products from the year ended 31 December 2020 of approximately RMB20.6 million to the Year Under Review of approximately RMB76.7 million was primarily because we sold more tin hydroxide, potassium fluorosilicate and tungsten acid for the Year Under Review as comparing to that of the year ended 31 December 2020.

Others

For the two years ended 31 December 2021 and 2020, we sold ferro niobium tantalum alloy, which is a kind of impurity included in our raw materials. Considering its higher impurity, we resold ferro niobium tantalum alloy to utilise our inventories. For the Year Under Review, our revenue generated from sale of others amounted to approximately RMB101.6 million, representing an increase of approximately RMB40.6 million or 66.6% from approximately RMB61.0 million for the year ended 31 December 2020.

Provision of Processing Services

During the Year Under Review, the Group provided processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptaluorotantalate. For the year ended 31 December 2021, our revenue generated from the provision of processing services amounted to approximately RMB79.1 million, representing an increase of approximately RMB73.3 million or 1,263.8% from approximately RMB5.8 million for the year ended 31 December 2020. Such increase was mainly due to the significant increase in orders from our customers during the Year Under Review.

Cost of sales

Cost of sales represented the direct costs of production, which comprised raw materials costs, factory overheads, electricity and fuels costs, labour costs and processing fee in respect of our processed products. For the two years ended 31 December 2021 and 2020, our cost of sales amounted to approximately RMB558.2 million and RMB429.0 million, respectively. The following table sets forth the breakdown of our cost of sales for the years indicated:

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

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

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

Gross profit and gross profit margin

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

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

Other income and gains

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

	For the year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Government grants	**5,762**	**48.5 %**	14,616	53.0%
Bank interest income	**1,277**	**10.7%**	1,268	4.6%
Foreign exchange difference, net	**2,590**	**21.8%**	10,985	39.8%
Others	**2,262**	**19.0%**	704	2.6%
Total other income and gains	**11,891**	**100.0%**	27,573	100.0%

Our other income and gains primarily comprised government subsidies, bank interest income, foreign exchange difference, net and others. We received government grants from local government authorities for engaging in research and development activities. Subsidies vary from year to year.

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

Selling and distribution expenses

The Group's selling and distribution expenses primarily comprised distribution costs for transportation and packaging for delivery of products, salaries and benefits for personnel of our sales and procurement department, consultation fees, and travelling and entertainment expenses. The table below sets forth the breakdown of our selling and distribution expenses for the years indicated:

	For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Distribution costs	3,148	24.7%	2,789	33.2%
Staff costs	6,353	49.9%	2,598	31.0%
Consultation fees	2,224	17.5%	2,395	28.5%
Travelling and entertainment expenses	458	3.6%	277	3.3%
Advertising and promotion expenses	37	0.3%	–	–
Office expenses	76	0.6%	89	1.1%
Others	423	3.4%	244	2.9%
Total selling and distribution expenses	12,719	100.0%	8,392	100.0%

The Group's selling and distribution expenses increased by approximately RMB4.3 million or 51.2% from approximately RMB8.4 million for the year ended 31 December 2020 to approximately RMB12.7 million for the Year Under Review. Such increase was mainly attributable to the increase in staff costs of approximately RMB3.8 million.

Administrative expenses

The Group's administrative expenses primarily comprised expenses for research and development expenses, staff costs of our administrative and management staff and legal advisory and professional fees. The table below sets forth the breakdown of our administrative expenses for the years indicated:

	For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Research and development expenses	29,762	35.6	24,005	33.0%
Staff costs	26,932	32.2	22,551	31.0%
Other tax expenses	3,005	3.6	2,606	3.6%
Legal advisory and professional fees	4,042	4.8	6,356	8.7%
Depreciation and amortisation	5,460	6.5	4,426	6.1%
Travelling and entertainment expenses	1,149	1.4	928	1.3%
Bank charges	1,775	2.1	2,422	3.3%
Others *(Note)*	11,540	13.8	9,397	13.0%
Total administrative expenses	83,665	100.0%	72,691	100.0%

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

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

The Group's research and development expenses amounted to approximately RMB29.8 million and RMB24.0 million for the Year Under Review and the year ended 31 December 2020, respectively. Such expenses were primarily used to improve the purity level of tantalum pentoxide and niobium pentoxide, develop niobium pentoxide with different physical properties to be applied in different industries, and enhance our capabilities in recycling waste materials for environmental protection.

Other operating income/(expenses)

For the Year Under Review, the Group's other operating income of approximately RMB9.3 million mainly comprised the write-back of provision for impairment of trade receivables of approximately RMB5.9 million and the write-back of inventories of approximately RMB5.5 million.

Finance costs

Our finance costs mainly represented interest on interest-bearing bank borrowings. The following table sets forth the breakdown of our finance costs for the years indicated:

	For the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Finance costs on interest-bearing bank borrowings	**13,215**	10,272
Interest on lease liabilities	**445**	189
Less: interest capitalised	**(1,878)**	(2,439)
Total net finance costs	**11,782**	8,022

Our finance costs on interest-bearing bank borrowings before capitalisation for the Year Under Review and the year ended 31 December 2020 amounted to approximately RMB13.2 million and RMB10.3 million, respectively. For the Year Under Review and the year ended 31 December 2020, we capitalised interest of approximately RMB1.9 million and RMB2.4 million, respectively, in respect of the interest that was directly attributable to the construction of our production facilities. As a result, our net finance costs charged to the consolidated statements of profit or loss for the Year Under Review and the year ended 31 December 2020 amounted to approximately RMB11.8 million and RMB8.0 million, respectively.

Income tax expense

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

Our income tax expense for the Year Under Review and the year ended 31 December 2020 amounted to approximately RMB16.5 million and RMB16.9 million, respectively. Our effective tax rate for the Year Under Review and the year ended 31 December 2020 was approximately 13.9% and 19.3%, respectively. The decrease in our effective tax rate was mainly due to decrease in expense not deductible for tax. The details are set out in Note 8 to the Financial Statements.

Profit for the year

As a result of the foregoing, we recorded net profit for the Year Under Review and the year ended 31 December 2020 of approximately RMB102.1 million and RMB70.3 million, respectively, representing an increase of approximately RMB31.8 million or 45.2%. Our net profit margin was approximately 13.4% and 11.7% for Year Under Review and the year ended 31 December 2020, respectively.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

Property, plant and equipment

Our property, plant and equipment comprised (i) buildings; (ii) plant and machinery; (iii) furniture and office equipment; (iv) motor vehicles; and (v) construction in progress.

The carrying amount of our property, plant and equipment increased by approximately RMB69.2 million from approximately RMB95.6 million as at 31 December 2020 to approximately RMB164.8 million as at 31 December 2021. Such increase was mainly driven by (i) the increase in construction in progress; and (ii) the increase in plant and machinery transferred from construction in progress in respect of our new production facilities.

Right-of-use assets

As at 31 December 2021, the Group's total right-of-use assets amounted to approximately RMB48.8 million (31 December 2020: approximately RMB24.3 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 decreased from approximately RMB22.1 million as at 31 December 2020 to approximately RMB21.6 million as at 31 December 2021, mainly due to our depreciation. Our leased plant and machinery increased from RMB nil as at 31 December 2020 to approximately RMB25.4 million as at 31 December 2021, mainly due to the expansion of Guizhou production line. Our leased offices decreased from approximately RMB2.2 million as at 31 December 2020 to approximately RMB1.9 million as at 31 December 2021, mainly due to depreciation.

Inventories

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

	As at 31 December	
	2021 **RMB'000**	2020 RMB'000
Raw materials	**143,203**	184,069
Work in progress	**59,554**	36,669
Finished goods	**53,075**	48,420
Total inventories	**255,832**	269,158
Average inventories *(Note 1)*	**262,495**	199,519
Average inventories to revenue from sale of products *(Note 2)*	**34.4%**	33.2%

Notes:

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

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

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

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

	For the year ended 31 December	
	2021 (Days)	2020 (Days)
Average inventory turnover days *(Note)*	**171.6**	169.8

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

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

Trade and bills receivables

Our trade and bills receivables primarily represented the credit sales of our products to be paid by customers and bank acceptance bills received from our customers during the Year Under Review. The following table sets forth the breakdown of our trade and bills receivables as at balance sheet dates indicated:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables	**103,528**	107,401
Less: Impairment	**(992)**	(6,925)
	102,536	100,476
Bills receivable	**27,586**	49,993
Total trade and bills receivables	**130,122**	150,469
Average trade and bills receivables *(Note 1)*	**140,296**	159,814
Average trade and bills receivables to total revenue *(Note 2)*	**18.4%**	26.6%

Notes:

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

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

Our trade and bills receivables decreased from approximately RMB150.5 million as at 31 December 2020 to approximately RMB130.1 million as at 31 December 2021. Such decrease was mainly due to the decrease in bills receivables.

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

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 30 days	**84,864**	72,231
31 days to 60 days	**27,593**	11,500
61 days to 90 days	**12,184**	13,561
Over 90 days	**5,481**	53,177
Total trade and bills receivables	**130,122**	150,469

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The expected credit loss for trade receivables as at 31 December 2021 and 2020 was approximately RMB1.0 million and RMB6.9 million, respectively. The following table sets forth the average turnover days of our trade and bills receivables for the years indicated:

	For the year ended 31 December	
	2021 (Days)	2020 (Days)
Average turnover days of trade and bills receivables *(Note)*	**67.1**	97.0

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

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

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly represented advance prepayments to our suppliers for purchasing raw materials, advance prepayments for purchasing our equipment and machinery and prepaid land lease payments for acquiring land use rights. We prepaid land lease payments prior to obtaining the relevant land use rights certificates and reclassified such prepayments to "prepaid land lease payments" when the land use rights certificate is granted. The following table sets forth a breakdown of our prepayments, deposits and other receivables as at balance sheet dates indicated:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Prepayments – Non-current	**68,520**	12,318
Deposit – Non-current	**8,000**	1,000
	76,520	13,318
Prepayments – Current	**139,602**	81,392
Deposits and other receivables – Current	**54,911**	33,046
	194,513	114,438
Total prepayments, deposits and other receivables	**271,033**	127,756

Our prepayments, deposits and other receivables increased from approximately RMB127.8 million as at 31 December 2020 to approximately RMB271.0 million as at 31 December 2021, mainly driven by the increase in prepayment.

Trade payables

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

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

Our trade payables were non-interest-bearing and normally settled with terms of 40 days. The following table sets forth the average turnover days of our trade payables for the years indicated:

	As at 31 December	
	2021 **(Days)**	2020 (Days)
Average turnover days of trade payables *(Note)*	**6.5**	10.0

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

Our average turnover days of trade payables decreased from approximately 10.0 days for the year ended 31 December 2020 to 6.5 days for the Year Under Review, mainly because the increase in sales volume for the year ended 31 December 2021.

Other payables and accruals

Our other payables and accruals comprised accruals, deferred income, contract liabilities, and other payables. Our accruals mainly represented accrued staff costs 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	
	2021	2020
	RMB'000	RMB'000
Accruals	**30,957**	25,426
Deferred income	**6,518**	9,089
Contract liabilities	**2,215**	1,555
Other payables	**15,403**	10,040
Total other payables and accruals	**55,093**	46,110

Our other payables and accruals increased from approximately RMB46.1 million as at 31 December 2020 to approximately RMB55.1 million as at 31 December 2021. Such increase was mainly driven by the increase in accruals and other payables.

Bank borrowings

Bank borrowings were our principal component of our total liabilities, constituting approximately 75.1% and 80.1% of our total liabilities as at 31 December 2021 and 31 December 2020, respectively. The following table sets forth the breakdown of our bank borrowings by current and non-current classification as at balance sheet dates indicated:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current	**19,824**	29,786
Current	**325,301**	236,144
Total bank borrowings	**345,125**	265,930

During the Year Under Review, our bank borrowings included secured and unsecured bank borrowings. The following table sets forth the breakdown of our bank borrowings by secured and unsecured bank borrowings as at the dates indicated:

	As at 31 December	
	2021 **RMB'000**	2020 RMB'000
Secured	**83,817**	38,798
Unsecured	**261,308**	227,132
Total bank borrowings	**345,125**	265,930

As at 31 December 2021, our bank borrowings were secured by the pledge of certain of our Group's leasehold land, and property, plant and equipment with net carrying amounts of approximately RMB5.8 million (31 December 2020: RMB5.9 million) and RMB25.2 million (31 December 2020: RMB30.2 million), respectively.

Our total bank borrowings increased from approximately RMB265.9 million as at 31 December 2020 to approximately RMB345.1 million as at 31 December 2021. Such increase was mainly due to the drawing down of new bank loans during the Year Under Review.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

During the Year Under Review, we financed our operations by cash generated from operating activities and bank borrowings. As at 31 December 2021, we had cash and cash equivalents of approximately RMB169.9 million (31 December 2020: approximately RMB186.4 million). In the future, we intend to finance our operations by cash generated from operating activities, bank borrowings and proceeds from the listing of our Company on the Main Board of The Stock Exchange of Hong Kong.

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

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

Cash flows

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

During the Year Under Review, the Group's cash and cash equivalents decreased by approximately RMB16.4 million, which mainly comprised the net cash flows generated from operating activities with the amount of approximately RMB112.0 million, net cash flows used in investing activities with the amount of approximately RMB185.5 million, net cash flows generated from financing activities with the amount of approximately RMB61.8 million, and the foreign exchange loss of approximately RMB4.7 million. The cash flows details of the Group are set out in pages 70 to 71 under "Consolidated Statement of Cash Flows" of this report.

CAPITAL STRUCTURE

Indebtedness

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

Gearing ratio

As at 31 December 2021, the Group's gearing ratio was approximately 28.1% (31 December 2020: 15.2%), calculated as the total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of the relevant year multiplied by 100%. The increase was mainly due to a decrease in cash and cash equivalents.

Pledge of assets

As at 31 December 2021, our bank borrowings were secured by the pledge of certain of our Group's leasehold land, and property, plant and equipment with net carrying amounts of approximately RMB5.8 million (31 December 2020: RMB5.9 million) and RMB25.2 million (31 December 2020: RMB30.2 million), respectively.

Capital expenditures

Our capital expenditures primarily comprised expenditures for purchases of property, plant and equipment. Our capital expenditures amounted to approximately RMB83.6 million and RMB19.0 million for the Year Under Review and the year ended 31 December 2020, respectively.

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

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

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

CAPITAL COMMITMENT

As at 31 December 2021, the Group had capital commitment of approximately RMB144.9 million (31 December 2020: approximately RMB44.0 million).

SEGMENT INFORMATION

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

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2021, the Group had not made any material acquisition or disposal.

SIGNIFICANT INVESTMENTS

The Company had not held any significant investments during the year ended 31 December 2021.

FUTURE PLANS FOR CAPITAL ASSETS

Future plans for capital assets of the Company are set out in the relevant disclosure in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 26 February 2020 (the "Prospectus") and the section headed "Comparison of Business Objectives with Actual Business Progress" in pages 25 to 27 of this report.

FUTURE OUTLOOK

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

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

HUMAN RESOURCES AND TRAINING

We believe that our long-term growth depends on the expertise and experience of our employees. We primarily recruit our personnel through campus recruiting, career fairs, recruitment websites and internal recommendation. We provide regular training programs to our employees, including, among others, introductory training, safety training and technical training, to enhance their skills and knowledge. As at 31 December 2021, the Group had a total of 328 employees (2020: 260 employees), total staff cost for the Year Under Review amounted to approximately RMB55.6 million (2020: approximately RMB41.8 million).

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

DIVIDENDS

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

OUR BUSINESS OBJECTIVES AND STRATEGIES

Our business objectives are to achieve sustainable growth and strengthen our market position in the tantalum and niobium metallurgical industry in the PRC. In furtherance of this goal, the Group plans to continue the following strategies in 2022:

(1) Extend our production and sales to downstream products

We plan to build and set up new production facilities to extend our production to tantalum powder and tantalum bars. In the abstract, we would like to extend our production and sales to tantalum powder and tantalum bars for the following reasons: (1) according to the CIC Report, there is expected growth in the markets for tantalum powder and tantalum bars; (2) there are opportunities for leading market players in the other segments of the supply chain of the metallurgical industry to enter into the markets for the production of tantalum powder and tantalum bars; (3) we are well-positioned to extend our production to tantalum powder and tantalum bars, in particular we will have a stable supply of the raw materials required as well as we have experienced management team and employees; (4) we have been experiencing steady growth in the demand from our customers for tantalum bars during the Track Record Period; (5) our reliance on third party metallurgical company to provide processing services for the production of tantalum bars is not desirable and cannot satisfy the needs of our customers, and we have rejected some orders for tantalum bars from our customers because of unavailability of processing services; (6) it is an industry trend for market players in the tantalum and niobium metallurgy industry to achieve supply chain integration; and (7) the economic benefit from extending our production to tantalum powder and tantalum bars is expected to outweigh its cost.

(2) Continue to devote resources on research and development projects on new products and innovative production methods

We believe that our research and development capabilities are critical to development of our Group. Therefore, we will continue to invest in research and development. Through our research and development efforts, we have been able to expand our production capacity, improve the purity level of tantalum pentoxide and niobium pentoxide, develop pentoxide products with special physical properties to meet the demands of our customers, and enhance our capabilities in recycling waste materials for environmental protection.

(3) Strengthening our sales network in overseas markets

A majority of the total output of tantalum and niobium metallurgical products produced by China-based tantalum and niobium metallurgy and processing companies is exported to international markets. We plan to continue to strengthen our sales network in overseas market and explore business opportunities in overseas markets in order to broaden our customer base, increase our market share and diversify our operations.

(4) Further secure sources of our principal raw materials

Most of the ores supplied by our suppliers come from mines in Brazil and African countries. We have established long-term cooperative relationships with our suppliers, which enable us to procure the raw materials that are required for our production. In light of the expansion of our hydrometallurgical production facilities in 2017 and our planned production of downstream products, we will explore avenues to further secure the supply of raw materials to us, such as: (i) entering into strategic alliances with some of our suppliers; and (ii) setting up an office in Brazil to enhance relationship with the local small and medium mine owners or suppliers, which in return will enable us to secure stable raw materials supply in Brazil.

As such, we would be able to have a stable supply of raw materials by gaining access to the resources of the ores at market price, and reduce the order lead time for raw materials at a competitive price to meet our production plan and reduce reliance on suppliers which obtain ores from overseas mines and then resell them at a profit.

ACTUAL BUSINESS PROGRESS AND USE OF 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 31 December 2021, the Group had used net proceeds of approximately RMB63.6 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 as at 31 December 2021:

	%	Planned use of proceeds as disclosed in the Prospectus (RMB million)	Actual utilised amount as at 31 December 2021 (RMB million)	Unutilised amount as at 31 December 2021 (RMB million)
Construction of new production facilities to produce tantalum powder and bars	28.9%	26.8	26.6	0.2
Acquisition and installing of machinery and equipment to produce tantalum powder and bars	36.0%	33.4	10.4	23.0
Other expense for setting up the new production facilities	3.9%	3.6	2.6	1.0
Financing five research and development projects	17.9%	16.6	13.6	3.0
Strengthening the sales network in Europe and sourcing channels in Brazil	3.5%	3.2	1.3	1.9
General working capital	9.8%	9.1	9.1	–
Total	100.0%	92.7	63.6	29.1

The unutilised amount of net proceeds of approximately RMB29.1 million is expected to be completely utilised by June 2022.

DIRECTORS

Executive Directors

Mr. Wu Lijue (吳理覺), aged 58, is the founder of our Group, the chairman of our Board, an executive Director, our chief executive officer and one of our Controlling Shareholders. He is also a director of each of Xinjia Group Limited ("Xinjia Seychelles"), Ximei Resources (Hong Kong) Limited ("Ximei Hong Kong") (formerly named "Xite Group Limited") and Ximei Resources (Guangdong) Limited* ("Ximei Guangdong") (formerly named "Guangdong Zhiyuan New Material Co., Ltd.*"). He was appointed as a Director on 26 May 2017, and is currently responsible for our Group's strategic planning, overall operation, financing and investment activities, and management of our Board. Mr. Wu established our Group in May 2006 and has been the chairman of the board of Ximei Guangdong since its establishment. Mr. Wu obtained his bachelor's degree from Central South University (中南大學) (formerly known as Central South Institute of Mining and Metallurgy* (中南礦冶學院) before merger) majoring in powder metallurgy in July 1984. He also obtained his degree of executive master of business and administration~from Sun Yat-sen University (中山大學) in June 2011. He obtained the qualification of senior engineer from the China Non-ferrous Metals Industry Corporation* (中國有色金屬工業總公司) in December 1997. Mr. Wu has over 32 years of experience in the tantalum and niobium metallurgy industry. Mr. Wu is the uncle of Ms. Wu Shuangzhu, the controller of corporate department of our Group. He is also the sole shareholder and director of Jiawei Resources Holding Limited ("Jiawei Resources Seychelles"), a controlling shareholder of the Company.

As at the date of this report, Mr. Wu was interested in 205,000,000 shares of the Company, representing 68.3% of total issued shares of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Cap 571 of the Laws of Hong Kong), all of which was held by Jiawei Resources Seychelles, which was wholly owned by Mr. Wu.

Ms. Wu Shandan (吳珊丹), aged 39, joined our Group in January 2014 as the chief financial officer of Ximei Guangdong. She was appointed as a Director on 26 May 2017, and was redesignated as an executive Director and appointed as the chief financial officer of our Company on 8 September 2017. She is also a director of each of Xinjia Seychelles and Xite Hong Kong. She is mainly responsible for managing our Group's financial matters. Ms. Wu graduated from South China University of Technology (華南理工大學) majoring in accounting in July 2009. She was also graduated with a master of business administration from Hong Kong Metropolitan University in August 2021. In October 2018 and December 2018, Ms. Wu was awarded the Executive Management Career Award – Financial Management (Higher Professional Module Certificate with Merit) and Financial Analysis (Higher Professional Module Certificate with Distinction) by Cambridge Assessment International Education and by Cambridge International Examinations, respectively. Ms. Wu attained the directorate secretary qualification from the Shenzhen Stock Exchange in December 2016 and from the Shanghai Stock Exchange in November 2018.

Ms. Wu has over 12 years of experience in financial management. Prior to joining our Group, she was the financial manager of Seraphim Group Limited, a company which was principally engaged in investment, from October 2007 to June 2016 and was mainly responsible for supervision of daily management of the finance department. Ms. Wu was admitted as an associate member of the Association of International Accountants in January 2019.

Non-executive Director

Mr. Zeng Min (曾敏), aged 58, joined our Group in May 2011 as a director of Ximei Guangdong. He was appointed as a Director on 26 May 2017 and was re-designated as an executive Director and a non-executive Director on 8 September 2017 and 6 August 2019, respectively. He was also a director of each of Xinjia Seychelles, Ximei Hong Kong and Ximei Guangdong. He participated in the decision making of our Board with respect to major issues of our Group. Mr. Zeng obtained his bachelor’s degree in metalworking from Central South University (中南大學) (formerly known as Central South Institute of Mining and Metallurgy* (中南礦冶學院) before merger) in July 1983.

Prior to joining of our Group, Mr. Zeng served in MACRO-LINK Mineral Inc.* (新華聯礦業有限公司) as chairman from May 2006 to January 2009. Mr. Zeng served in Tonghua Winery Co., Ltd.* (通化葡萄酒股份有限公司), a company which was principally engaged in the sale of wine and whose shares are listed on the Shanghai Stock Exchange (stock code: 600365), as general manager from January 2009 to September 2009. Mr. Zeng returned and served in MACRO-LINK Mineral Inc.* as general manager from September 2009 to October 2013 and has been its chairman since October 2013, respectively. He also served as the senior vice president of MACRO-LINK Group since February 2020. Mr. Zeng resigned as a non-executive Director of the Company on 23 February 2021.

Independent Non-executive Directors

Mr. Lau Kwok Fai Patrick (劉國煇), HKICPA, FCCA, aged 49, was appointed as an independent non-executive Director on 19 February 2020. Mr. Lau obtained an honours diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He later obtained a master’s degree in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014. He also obtained his HKICPA Diploma in Insolvency awarded by the Hong Kong Institute of Certified Public Accountants in June 2004. Mr. Lau has been a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since December 2007 and July 2003, respectively. He has also been a member of Beta Gamma Sigma Hong Kong Baptist University Chapter since April 2014.

Mr. Lau has more than 22 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. He served as an auditor in Baker Tilly Hong Kong (formerly known as Glass Radcliffe Chan & Wee Certified Public Accountants) from September 1996 to November 1997 mainly responsible for statutory audit. From December 1997 to April 1999, Mr. Lau served as an associate in PricewaterhouseCoopers Ltd. and was mainly responsible for statutory audit, internal control review and enterprise listing audit. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager, mainly responsible for financial due diligence, corporate reorganisation and liquidation, analysis for corporate acquisitions, financial modeling and consultation services. From July 2011 to June 2016, Mr. Lau served in various positions, including deputy general manager, financial controller and company secretary in China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), the shares of which are listed on the Main Board of the Stock Exchange in December 2013 (stock code: 1522).

Mr. Lau was the chief financial officer and company secretary of International Alliance Financial Leasing Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1563) from July 2016 to October 2019 and from May 2018 to October 2019, respectively. Mr. Lau was also an independent non-executive director of Jinhai International Group Holdings Limited (formerly known as Kakiko Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2225) from September 2017 to July 2020. He is currently also an independent non-executive director of Steering Holdings Limited (formerly known as Dafy Holdings Limited) (stock code: 1826) and Sundy Service Group Co. Ltd. (stock code: 9608), the shares of both companies are listed on the Main Board of Stock Exchange.

Mr. Zhong Hui (鐘暉), aged 54, was appointed as an independent non-executive Director on 19 February 2020. Mr. Zhong graduated from Central South University (中南大學) (formerly known as Central South University of Technology (中南工業大學)) majoring in science technology information in June 1988 and a master's degree in non-ferrous metallurgy in May 1991. He graduated from Nagoya University of Japan (日本國立名古屋大學) with a doctor's degree in materials science and engineering in March 1995.

Mr. Zhong has over 22 years of experience in the research and development of the non-ferrous metal industry. Prior to joining our Group, Mr. Zhong worked at the research and development department in IBIDEN Co., Ltd. of Japan* (日本IBIDEN株式會社), a company which was principally engaged in industrial production and research and development of technology, between April 1995 and June 2001. Mr. Zhong has served the College of Metallurgy and Environment, Central South University (中南大學冶金與環境學院) since July 2001 and is currently a professor.

Mr. Yin Fusheng (尹福生), aged 57, was appointed as an independent non-executive Director on 19 February 2020. Mr. Yin obtained his bachelor of laws degree majoring in political education from Central China Normal University (華中師範大學) in June 1987. He obtained his master's degree and doctor's degree in political economics from Wuhan University (武漢大學) in August 1993 and December 2004, respectively. Mr. Yin was appointed as a lecturer by Jinan University (暨南大學) in December 1995 and an associate professor in October 2016. Mr. Yin has over 22 years of experience in finance and investment.

SENIOR MANAGEMENT

Mr. Zhong Yuelian (鍾嶽聯), aged 54, joined our Group in January 2010. He serves as vice president of our Group and is mainly responsible for project development, production operation, technology research and development and management improvement. Mr. Zhong obtained his bachelor's degree in physical chemistry of metallurgy from Central South University (中南大學) (formerly known as Central South University of Technology (中南工業大學) before merger) in July 1989, and completed his research programme specialising in world economy at Sun Yat-sen University (中山大學) in October 2004. He obtained the qualification of senior engineer of rare metal smelting* (稀有金屬冶煉高級工程師) from the Personnel Department of Guangdong Province* (廣東省人事廳) in December 2000. Mr. Zhong has over 27 years of experience working in the tantalum and niobium metallurgy industry.

Mr. Zheng Shang Hua (鄭上華), aged 37, joined the Group in November 2017, Mr. Zheng has worked in Hitachi Elevator (China) Co., Ltd. as a strategy planner, and Ximei Guangdong as the assistant to general manager and deputy general manager. He currently serves as the assistant to chief executive officer of the Group, and is mainly responsible for strategy implementation, brand building, capital market communication and human resources management. Mr. Zheng graduated from Sun Yat-sen University in 2008 with a bachelor's degree in materials physics and obtained a master's degree in economics from Sun Yat-sen University in June 2018.

Mr. Shi Bo (石波), aged 48, joined our Group in May 2012, currently serves as the chief engineer of Ximei Guangdong and is responsible for technology, research and development and quality works of Ximei Guangdong. Mr. Shi obtained his bachelor's degree in non-ferrous metallurgy from Central South University (中南大學) (formerly known as Central South University of Technology (中南工業大學)) in July 1994. He also obtained his metallurgy engineer qualification from China Non-ferrous Metal Industry Co., Ltd. Guangzhou Branch Intermediate Technology Qualification Review Committee* (中國有色金屬工業總公司廣州公司中 級技術職務評審委員會) in November 1999. Mr. Shi has over 22 years of experience in the tantalum and niobium metallurgy industry.

Ms. Wu Shuangzhu (吳雙珠), aged 37, joined our Group in July 2017 , currently serves as the controller of corporate department of our Group and is mainly responsible for our Group's management improvement, process optimisation, key task assessment and operational analysis. Ms. Wu graduated from Guangzhou University majoring in accounting in January 2013 and graduated with a master of business administrations degree at The Open University of Hong Kong in August 2019. Ms. Wu has over 17 years of experience in accounting and financial matters. Ms. Wu is the niece of Mr. Wu Lijue, the Chairman and chief executive officer of the Company.

COMPANY SECRETARY

Mr. Chan Hon Wan (陳漢雲), aged 60, graduated with a bachelor's degree in economics at Macquarie University Australia in April 1986 and a master's degree in accountancy at The Hong Kong Polytechnic University in December 2005. He became an associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA) (formerly known as Hong Kong Society of Accountants) in June 1991 and an associate member of the Institute of Chartered Accountants in Australia in November 1990. He was appointed as the company secretary and authorised representative of our Company in May 2019.

Mr. Chan has over 27 years of experience in accounting and capital markets with an international accounting firm and various listed companies. From July 1991 to May 1995, Mr. Chan worked for Culturecom Limited and his last position held was the finance manager. From May 1995 to April 1998, he served as financial controller in Fairwood Fast Food Limited. From April 2000 to July 2005, he was the corporate finance director of Texwood Limited. From October 2006 to February 2008, he was a business director of Texwood Group. From March 2008 to June 2018, he served as technical director of Grace Profit Consultants Ltd., where he was mainly responsible for accounting, company secretary and compliance of listed companies.

CORPORATE GOVERNANCE FUNCTIONS

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Year Under Review, the Company has complied with the code provisions, other than code provisions A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Wu Lijue is our chairman and also the chief executive officer of our Company and he has been managing our Group's business and supervising the overall operations of our Group since its establishment. Having considered (i) the nature and extent of our Group's operations; (ii) Mr. Wu's in-depth knowledge and experience in the tantalum and niobium metallurgy industry and familiarity with the operations of our Group which is beneficial to the management and business development of our Group; and (iii) all major decisions are made in consultation with members of our Board and relevant Board committees, which consist of three independent non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Wu taking up both roles. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors regarding Directors' securities transactions during the Year Under Review and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the Year Under Review.

BOARD OF DIRECTORS

The Board is the core of the Company's corporate governance framework and its role is clearly separated from that of senior management. The Board is responsible for providing guidance for senior management and maintaining effective supervision over senior management.

The Board comprised a total of five Directors, being two executive Directors and three independent non-executive Directors. Mr. Wu Lijue and Ms. Wu Shandan, served as executive Directors, and Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Mr. Yin Fusheng served as independent non-executive Directors as at 31 December 2021. These independent non-executive Directors, who have different business and professional backgrounds, have brought valuable experience and expertise for the best interests of the Group and its Shareholders. One of the independent non-executive Directors is a qualified accountant who has appropriate professional quantifications or accounting or related financial management expertise.

There is no financial, business, family or other material/relevant relationship amongst Directors and senior management members, except (i) Mr. Wu Lijue is the uncle of Ms. Wu Shuangzhu, the controller of corporate department of our Group; and (ii) Ms. Wu Shuangzhu is the niece of Mr. Wu Lijue, the chairman and chief executive officer of the Company.

Biographical details of and the relationship between the Directors are set out in the section headed "Directors' and Senior Management's Biographies" of this report.

Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under the Listing Rules.

Throughout the Year Under Review and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) and 3.10A of the Listing Rules and has appointed three independent non-executive Directors, representing more than one-third of the number of Directors at the Board, with a least one independent non-executive Director possessing the appropriate professional qualifications, or accounting or related financial management expertise.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

Pursuant to the Articles of Association of the Company, one-third of the Directors shall retire from office by rotation at each annual general meeting. Accordingly, Mr. Wu Lijue and Mr. Lau Kwok Fai Patrick shall retire at the forthcoming annual general meeting of the Company. The retiring Directors, all being eligible, offer themselves for re-election.

RESPONSIBILITIES OF THE BOARD

All the Directors (including the independent non-executive Directors) have acquired a proper understanding of the Company's operation and business and are fully aware of his/her functions and responsibilities under statute and common law, the Listing Rules and other applicable legal and regulatory requirements. Every Director has given the Company the details on the number and nature of offices held in other companies and significant commitments at the time of his/her appointment.

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorizing the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. Though the Board delegates the day-to-day management, administration and operation of the Group to management, all the Directors continue to give sufficient time and attention to the Company's affairs. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

APPOINTMENT AND RE-ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles of Association. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence and must provide an annual confirmation of his independency to the Company. Specific enquiry has been made to each of the independent non-executive Director to confirm their independence under the Listing Rules, and each of them confirms that he is independent and there has been no circumstances which would render them not to be independent as contemplated under the Listing Rules. Up to the date of this report, no independent non-executive Director has served the Company more than 9 years.

Each of our independent non-executive Directors has been appointed for an initial term of two years commencing from 19 February 2020 renewable automatically for a term of one year commencing from the next day after the expiry of the initial term of appointment, and can be terminated by not less than three months' notice in writing served by our independent non-executive Directors or our Company after the end of the initial term.

BOARD COMMITTEES

We have established the following three committees: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with their terms of reference established by our Board.

Audit Committee

We have established an audit committee on 19 February 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules.

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

The primary responsibilities of our audit committee include, among others, (i) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of our Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by our Board; (iii) developing and reviewing our policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; and (iv) developing, reviewing and monitoring the code of conduct applicable to our employees and Directors.

During the Year Under Review, the audit committee had held two meetings and all the members attended the meetings. The attendance record of committee members at these meetings are set out in the section headed "Board Proceedings and Individual Attendance" of this report. The Audit Committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2021 and accounting principles and practices adopted for the Group, as well as the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit functions for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this annual report complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

Remuneration Committee

We have established a remuneration committee on 19 February 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules.

Our remuneration committee has three members, namely Mr. Yin Fusheng, Mr. Zhong Hui and Mr. Lau Kwok Fai Patrick, all are our independent non-executive Directors. The chairman of our remuneration committee is Mr. Yin Fusheng.

The primary responsibilities of our remuneration committee include, among others, (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iii) making recommendations to our Board on the remuneration packages of Directors and senior management.

During the Year Under Review, the remuneration committee had held two meetings and all the members attended the meetings. The attendance record of the committee members at these meetings are set out in the section head "Board Proceedings and Individual Attendance" of this report.

Nomination Committee

We have established a nomination committee on 19 February 2020 with written terms of reference in compliance with the code provisions of the CG Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules.

Our nomination committee has three members, namely Mr. Wu Lijue, Mr. Yin Fusheng and Mr. Zhong Hui, of whom Mr. Yin Fusheng and Mr. Zhong Hui are our independent non-executive Directors and Mr. Wu Lijue is the founder of our Group, an executive Director, the chairman of our Board, our chief executive officer and one of our Controlling Shareholders. The chairman of our nomination committee is Mr. Wu Lijue.

The primary responsibility of our nomination committee is to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

During the Year Under Review, the nomination committee had held two meetings and all the members attended the meetings. The attendance record of the committee members at these meetings are set out in the section head "Board Proceedings and Individual Attendance" of this report.

Nomination criteria

Pursuant to the mandatory disclosure requirements effective in 2019, the Company should disclose its policy for nomination of directors in the summary of work performed by the nomination committee in its corporate governance report. In evaluating and selecting any candidate for the directorship, the following criteria should be considered:

(i) character and integrity;

(ii) qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy;

(iii) any measurable objectives adopted for achieving diversity on the Board;

(iv) for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;

(v) any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(vi) willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

(vii) such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the nomination committee from time to time for nomination of directors and succession planning.

Nomination Procedures

The Company has put in place the following director nomination procedures:

Appointment of New and Replacement Directors

(i) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

(ii) Upon compilation and interview of the list of potential candidates, the relevant nomination committee will shortlist candidates for consideration by the nomination committee/Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable director candidate for appointment.

Re-election of Directors and Nomination from Shareholders

(i) Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

(ii) Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the Company Secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

REMUNERATION OF MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Pursuant to code provision B.1.5 of the CG Code, the remuneration of members of the senior management by band for the year ended 31 December 2021 is set out below:

	Number of members of senior management
Nil to RMB1,000,000	5
Over RMB1,000,000	Nil

Details of the remuneration of each Director for the year ended 31 December 2021 are set out in Note 10 to the Financial Statements for the year ended 31 December 2021.

BOARD DIVERSITY POLICY

We have adopted the board diversity policy (the "Board Diversity Policy") with a view to achieving a sustainable and balanced development. Our Board has a balanced composition comprising five Directors, including one female Director and four male Directors as at the date of this report. Our Directors aged between late-thirty and mid-fifty as at the date of this report, and were from different backgrounds including the metallurgy industry and the academia. Our Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates of our Directors will be based on a range of diversity perspectives, including but not limited to gender, age, cultural, race, educational background, professional experience, skills and knowledge. We aim to achieve a balanced composition of our Board by ensuring appropriate balance of diversity in various aspects, including gender diversity, so as to enable our Board to discharge its duties and responsibilities effectively. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

In recognition of the importance of board diversity, we will continue to promote diversity of our Company at all levels, including at the Board and senior management level, to enhance the effectiveness of our corporate governance. We will continue to provide diversified career development opportunities to our staff and engage different training resources for our staff in order to develop future candidates for Director and senior management.

Our nomination committee is responsible for the implementation of the Board Diversity Policy and compliance with relevant codes governing board diversity under the CG Code as set forth in Appendix 14 to the Listing Rules. Our nomination committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis. The effective implementation of the Board Diversity Policy will also depend on our Shareholders' judgement on the suitability of individual candidates and their views on the scale of gender diversity of our Board. As such, we will provide our Shareholders with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior to general meetings of our Company.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he/she has a proper understanding of the business and operations of the Group and that he/she is fully aware of his/her duties and responsibilities as a director under applicable rules and requirements.

All Directors are provided with regularly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge his/her duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices. In August 2021, a training session was provided to each of the Directors with topics of legal and regulatory duties of directors and the Listing Rules.

BOARD PROCEEDINGS AND INDIVIDUAL ATTENDANCE

Regular Board meetings are held at half yearly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the chairman or the company secretary to include matters in the agenda for regular Board meetings.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and abstain from voting in favour of the related board resolutions as appropriate.

Minutes of meetings of the Board and board committees are kept by the company secretary in sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time after the Board meeting is held.

All Directors have access to the advice and services of the company secretary with a view to ensuring the Board procedures are followed.

Details of the attendance records of Directors on Board meetings and Board committee meetings for the year ended 31 December 2021 are as follows:

Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Wu Lijue *(Chairman)*	4/4	–	–	2/2	1/1
Ms. Wu Shandan	4/4	–	–	–	1/1
Non-executive Director					
Mr. Zeng Min (resigned on 23 February 2021)	–	–	–	–	–
Independent Non-executive Directors					
Mr. Lau Kwok Fai Patrick	4/4	2/2	2/2	–	1/1
Mr. Zhong Hui	4/4	2/2	2/2	2/2	1/1
Mr. Yin Fusheng	4/4	2/2	2/2	2/2	1/1

Subsequent to the year ended 31 December 2021 and up to date of this report, the Board held another Board meeting in March 2022 for the main purposes of approving the annual results of the Group for the year ended 31 December 2021 and this annual report for publication and formulating business development strategies. All Directors attended such meeting.

COMPANY SECRETARY

Mr. Chan Hon Wan was appointed as the company secretary of the Company in May 2019. He is responsible for ensuring a good information flow within the Board and the compliance of the Board policy and procedures.

During the Year Under Review, Mr. Chan has confirmed that he has duly complied with the relevant professional training requirements under Rule 3.29 of the Listing Rules. His biographical details are set out in the paragraph headed "Directors' and Senior Management's Biographies" in this report.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial reporting

The Board acknowledges its responsibility, as set out in the section headed "Independent Auditor's Report" in this annual report, to prepare the Company's financial statements which give a true and fair view of the Group's financial position, financial performance and cash flows for the year and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of Ernst & Young, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Internal control and risk management

The Board recognizes its responsibility to ensure the Company maintains sound and effective internal control and risk management systems and the Board has conducted a review of the effectiveness of the internal control and risk management systems of the Group during the Year Under Review. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment. The Group's risk management framework includes the following elements: (i) identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business; (ii) develop necessary measures to manage those risks; and (iii) monitor and review the effectiveness of such measures. The implementation of risk management framework of the Group was assisted by the Group's internal audit department so that the Group could ensure new and emerging risks relevant to the Group's operation are promptly identified by management, assess the adequacy of action plans to manage these risks and monitor and evaluate the effectiveness of the action plans. These are on-going processes and our audit committee reviews the Group's internal control and risk management systems from time to time in accordance with the prevailing Group's business environment. The Board considered the risk management and internal control systems effective and adequate in all material aspects in both design and operations.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the SFO, the Group has taken various procedures and measures, including: (i) promoting the awareness to preserve confidentiality of inside information within the Group; (ii) sending blackout period and securities dealing restrictions notification to the relevant Directors and employees before the commencement of blackout or other trade restriction period; and (iii) disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

EXTERNAL AUDITOR

Ernst & Young has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of the services performed by Ernst & Young and considered that such services have no adverse effect on the independence of the external auditor. According to the Articles of Association of the Company, the appointment of Ernst & Young as the auditor would be until the next annual general meeting of the Company, at which Ernst & Young would retire and be eligible to stand for re-appointment by the Shareholders.

For the year ended 31 December 2021, the total remuneration paid to the external auditors for audit services and non-audit services (which mainly included interim review services) amounted to approximately RMB1.2 million and RMB0.6 million, respectively.

There was no disagreement between the Board and the audit committee on the selection and appointment of the external auditor during the year ended 31 December 2021.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to convene extraordinary general meeting

According to the Articles of Association, any Shareholder(s) who individually or jointly hold 10% or more of the Company's issued voting shares at the date of the deposit of the requisition, shall at all times have the right, by written requisition sent to the Company's principal place of business in Hong Kong as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business in Hong Kong at Room E, 7th Floor, Derrick Industrial Building, No. 49 Wong Chuk Hang Road, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request which has been verified is not in order, the Shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within thirty days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

Right to put enquires to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the Company's principal place of business in Hong Kong at Room E, 7th Floor, Derrick Industrial Building, No. 49 Wong Chuk Hang Road, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, there had been no significant change in the Company's constitutional documents, a copy of which is available on the websites of the Stock Exchange and the Company.

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investment industry is crucial to having a deeper understanding of the Company's business and its development among investors. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications. As such, the purpose for the Company to formulate investor relations policies is to let investors have access to information of the Group in a fair and timely manner, so that they can make an informed decision.

We welcome investors to write to the Company or send their inquiries to the Company's website www.ximeigroup.com to share their opinions with the Board. The Company's website also discloses the latest business information of the Group to investors and the public.

On behalf of the Board
Ximei Resources Holding Limited
Mr. Wu Lijue
Chairman of the Board

Hong Kong, 30 March 2022

The Directors are pleased in presenting the Directors' report together with the audited consolidated financial statements of the Company for the year ended 31 December 2021 (the "Financial Statements").

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 May 2017. Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares (the "Shares") on the Main Board of the Stock Exchange, the Company has become the holding company of our Group for the purpose of the listing and holds the entire interests of three subsidiaries, namely, Xinjia Seychelles, Ximei Hong Kong and Ximei Guangdong. The Company's shares were listed on the Main Board of the Stock Exchange on 12 March 2020.

Details of the group reorganisation are set out in the paragraph headed "Reorganisation" in the section "History, Reorganisation and Corporate Structure" in the Prospectus.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2021 and the financial positions of the Company and the Group at that date are set out in the Financial Statements on pages 65 to 133.

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

POLICY ON PAYMENT OF DIVIDENDS

The Company has adopted a policy on payment of dividends (the "Dividend Policy"), which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

CLOSURE OF THE REGISTER OF MEMBERS OF SHARES

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

For the purposes of determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on Tuesday, 31 May 2022, the register of members of the Company will be closed from Thursday, 26 May 2022 to Tuesday, 31 May 2022 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with Computershare Hong Kong Investor Services Limited, the Company's share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on Wednesday, 25 May 2022.

BUSINESS REVIEW

A review of the business of the Group for the Year Under Review and a discussion on the Group's future business development are provided in the "Management Discussion and Analysis" section on pages 7 to 24. Financial highlights of the Group's performance during the Year Under Review using financial key performance indicators is provided in the "Financial Highlights" section on page 4. A financial summary for the last five years is provided in the "Financial Summary" section on page 134.

ENVIRONMENTAL POLICY

The Group is committed to supporting the environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promote awareness towards environmental protection to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

Our Group will review its environmental practices from time to time and will consider implementing further ecofriendly measures and practices in the operation of our Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year Under Review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus, our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Our Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Year Under Review, there was no material and significant dispute between our Group and its business partners or bank enterprises.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. For details of the risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" in the Prospectus, in addition, the followings are the other key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Market risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign exchange risk

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 suppliers, bank borrowings and professional parties that are denominated in U.S. dollars and Hong Kong dollars.

The Group currently does not have a foreign exchange hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

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.

Liquidity risk

Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2021, the Group did not have any material contingent liabilities, on-going legal proceedings or potential proceedings threatened to be brought against the Group.

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 report, at least 25% of the issued shares of the Company was held by public shareholders as required under the Listing Rules.

CHARITY DONATIONS

During the Year Under Review, the Group did not have any charity donations (2020: Nil).

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 23 to the Financial Statements.

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

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

RESERVES

Details of change in reserves of the Group are set out on page 69 of the "Consolidated Statement of Changes in Equity" of this report.

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution at 31 December 2021, calculated in accordance with the Companies Law of the Cayman Islands, was reserves of approximately RMB109.6 million. Detail of movements in reserves of the Company during the Year Under Review are set out in the "Statement of Financial Position of the Company" on page 132 and 133 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2021 are set out in Note 13 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

SUBSIDIARY COMPANIES

Details of the major subsidiary companies of the Company as at 31 December 2021 are set out in Note 1 to the Financial Statements.

INTEREST OF COMPLIANCE ADVISER

As notified by Cinda International Capital Limited ("Cinda"), the Company's compliance adviser, neither Cinda nor any of its directors or employees or close associates had any interest in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities) during the Year Under Review pursuant to the Listing Rules.

PLEDGE OF ASSETS

As at 31 December 2021, certain of the Group's bank loans are secured by the pledge of certain of the Group's leasehold land, and property, plant and equipment with net carrying amounts of approximately RMB5.8 million (31 December 2020: RMB5.9 million) and RMB25.2 million (31 December 2020: RMB30.2 million), respectively.

SHARE OPTION SCHEME

On 19 February 2020, the Company conditionally adopted a share option scheme (the "Share Option Scheme"). Under the Share Option Scheme, the Board may, at their absolute discretion, at any time within a period of ten years commencing from 19 February 2020 offer to grant to any Eligible Persons (as defined herein below), including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for Shares. During the Year Under Review, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

The principal terms of the Share Option Scheme are summarised as follows:

1. The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to our development so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

2. Our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of ten years commencing from the date of the adoption of the Share Option Scheme to make an offer to any of the following classes:

   (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (the "Invested Entity") in which our Group holds an equity interest ("Eligible Employee");

   (ii) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

   (iii) any supplier of goods or services to any member of our Group or any Invested Entity;

   (iv) any customer of any member of our Group or any Invested Entity;

   (v) any person or entity that provide research, development or other technological support to any member of our Group or any Invested Entity;

   (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

   (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

   (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of our Group,

   and, for the purpose of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

3. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group shall not exceed 30% of the share capital of our Company in issue from time to time. The maximum number of Shares that may be granted under the Share Option Scheme was 30,000,000 Shares, representing 10% of the total issued Shares as at the Listing Date. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting. As at the date of this annual report, the total number of Shares available for issue upon the exercise of the options granted under the Share Option Scheme was 30,000,000, representing 10% of the total issued Shares as at the date of this annual report.

4. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

5. An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

6. The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph(s) below, be at the discretion of our Directors, provided that it shall not be less than the highest of:

   (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer of grant, which must be a business day;

   (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant; and

   (iii) the nominal value of a Share.

7. Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of its adoption (i.e. 19 February 2020). As at the date of this annual report, the Share Option Scheme had a remaining life of approximately 8 years.

TAX RELIEF AND EXEMPTION

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

DIRECTORS

The Directors of the Company as at the date of this report have been:

Executive Directors

Mr. Wu Lijue *(Chairman)*
Ms. Wu Shandan

Independent Non-executive Directors

Mr. Lau Kwok Fai Patrick
Mr. Zhong Hui
Mr. Yin Fusheng

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 28 to 32 under the paragraph headed "Directors' and Senior Management's Biographies" in this report.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the confirmation of independence pursuant to the Listing Rules from each of the independent non-executive Director and the Company considers such Directors to be independent from their date of appointment and up to the date of this report.

REMUNERATIONS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee considers and makes recommendation to the Board on the remuneration and other benefits payable to the Directors. The committee regularly oversees the remuneration of all Directors to ensure that their remuneration and compensation are at appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group to attract and retain its Directors as well as to control costs.

The Board determines the remuneration of the Directors on the basis of the Company's performance, together with the relevant Directors' qualifications, responsibilities, experience, contributions to and positions held with the Company. Details of the remuneration of the Directors are set out in Note 10 to the Financial Statements.

The five highest paid individuals of the Group in the Year under Review include 1 Directors (2020: 2 Directors). Details of the five highest paid individuals are set out in Note 11 to the Financial Statements.

DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 19 February 2020. The terms and conditions of each of such service agreements are similar in all material aspects. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term, unless either party has given at least three months' written notice of non-renewal before the expiry of the initial term.

Independent non-executive Directors

Each of our independent non-executive Directors has been appointed for an initial term of two years commencing from 19 February 2020 renewable automatically for a term of one year commencing from the next day after the expiry of the initial term of appointment, and can be terminated by not less than three months' notice in writing served by our independent non-executive Directors or our Company after the end of the initial term.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation). During the Year Under Review, other than a contract of service with a Director or any person engaged in the full-time employment of the Company, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACT

Save as disclosed in the paragraph headed "Related Party Transactions" below in this report, none of the Directors, the controlling shareholders, nor their respective associates had a material interest, either directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the Year Under Review.

DISCLOSURE OF INTERESTS

(a) Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporation

As at 31 December 2021, the interests and short positions held by the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in the shares in the Company:

Name of Director	Capacity/Nature of interest	Number of Shares *(Note 1)*	Approximate percentage of shareholding %
Mr. Wu Lijue *(Note 2)*	Interest of controlled corporation	205,000,000 (L)	68.33%

Notes:

(1) The letter "L" denotes long position in our Shares.

(2) These represents Shares to be held by Jiawei Resources Holding Limited ("Jiawei Resources Seychelles"), which was wholly owned by Mr. Wu Lijue.

(ii) Interests in the shares of the associated corporation of the Company:

Name of Director	Name of associated corporation	Capacity/Nature of interest	Percentage of shareholding
Mr. Wu Lijue	Jiawei Resources Seychelles	Beneficial owner	100%

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at 31 December 2021, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2021, so far as was known to the Directors, the interests or short positions held by the following persons (other than the Directors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Interests in the Shares:

Name of Substantial Shareholders	Capacity/Nature of interest	Number of Shares *(Note 1)*	Approximate percentage of shareholding %
Jiawei Resources Seychelles	Beneficial owner	205,000,000 (L)	68.33%
Ms. Ruan Xiaomei *(Note 2)*	Interest of spouse	205,000,000 (L)	68.33%

Notes:

(1) The Letter "L" denotes long position in our Shares.

(2) Ms. Ruan Xiaomei is the spouse of Mr. Wu Lijue. By virtue of the SFO, Ms. Ruan Xiaomei is deemed to be interested in all the Shares held by Mr. Wu. Jiawei Resources Seychelles is wholly owned by Mr. Wu. By virtue of the SFO, Mr. Wu is deemed to be interested in all the Shares held by Jiawei Resources Seychelles.

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 31 December 2021, no person (other than the Directors) had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of related party transactions entered into by the Group during the Year Under Review are set out in Note 27 to the Financial Statements. None of those related party transactions constituted a discloseable connected transaction or continuing connected transaction as defined under the Listing Rules.

CONNECTED TRANSACTIONS

During the Year Under Review and up to the date of this annual report, the Group has not entered into any connected transactions or continuing connected transactions which are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year Under Review, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long and short-term bank borrowings. For the Year Under Review, the effective interest rate for fixed rate borrowings was from 0.6% to 5.4%. The currency of the borrowings is in Renminbi or U.S. dollars. Taking into account the cash flow generated from operations and the long and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this report.

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB169.9 million (31 December 2020: approximately RMB186.4 million) which was mainly generated from operations of the Group and various long and short-term bank borrowings.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year Under Review, the total turnover of the Group's five largest customers accounted for approximately 39.6% of the Group's revenue, in which turnover from the largest customer of the Group accounted for approximately 15.0% of the total revenue of the Group. During the same period, total purchases of the Group's five largest suppliers accounted for approximately 75.9% of the Group's total cost of sales, in which purchase from the largest supplier of the Group accounted for approximately 28.5% of the total cost of sales of the Group.

None of the Directors, their respective associates or any Shareholders (interested in 5% or more of the share capital to the best knowledge of the Board) has any interest in any of the five largest suppliers or the Group's five largest customers.

EMPLOYEE BENEFITS

Details of the employee benefits of the Group for the year ended 31 December 2021 are set out in Note 2.4 to the Financial Statements. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions.

PERMITTED INDEMNITY PROVISION

At no time during the Year Under Review and up to the date of this report, there was or is, permitted indemnity provision being in force for the benefit at any of the Directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

COMPANY SECRETARY

Mr. Chan Hon Wan is our Company Secretary. Please refer to Mr. Chan's biographies in the section headed "Directors' and Senior Management's Biographies" of this report for details.

EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

The Financial Statements for the year ended 31 December 2021 have been audited by Ernst & Young, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Ximei Resources Holding Limited
Mr. Wu Lijue
Chairman of the Board

Hong Kong, 30 March 2022

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To the shareholders of Ximei Resources Holding Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ximei Resources Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 133, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (Continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Net realisable value of inventories	
As at 31 December 2021, the Group's inventories amounted to RMB256 million, representing 24% of the total assets of the Group. Significant management estimation was required in assessing the net realisable value of the inventories, with reference to the estimated selling prices. There were also estimations required in determining inventory obsolescence provisions as these were based on forecasted inventory usage and sales. Due to the significance of inventories and the significant estimation involved in determining the net realisable value, we considered this as a key audit matter. The related disclosures are included in notes 3 and 15 to the consolidated financial statements.	Our audit procedures included attending inventory counts to observe the physical condition of a sample of inventories selected as at the year end. We assessed the obsolescence provision policy and compared the provision with historical data and actual inventory usage. We also assessed the net realisable value by comparing the unit prices of subsequent sales with the unit costs for selected items.
Provision for expected credit losses on trade receivables	
As at 31 December 2021, the Group's trade receivables amounted to RMB103 million, representing 10% of the total assets of the Group. The measurement of expected credit loss ("ECL") required the application of significant estimation which included the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL model, such as the forward-looking information. Due to the significance of the trade receivables and the significant estimation involved in determining the ECL, we considered this as a key audit matter. The related disclosures are included in notes 3 and 16 to the consolidated financial statements.	Our procedures included assessing the Group's policies and procedures in the estimations of the ECL and checking subsequent settlements after the year end. We assessed the assumptions and inputs in the ECL model by considering the historical customer payment behaviour, the creditworthiness of customers, the ageing of the trade receivables and other macroeconomic consideration. We also assessed the adequacy of disclosures of the impairment assessment of trade receivables in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam Wai Ming, Ada.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2022

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR	**102,065**	70,309
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(880)**	131
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	**(170)**	(666)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(1,050)**	(535)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**101,015**	69,774

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**164,798**	95,557
Right-of-use assets	22(a)	**48,838**	24,342
Investments in associates	14	**41,813**	–
Prepayments and deposit	17	**76,520**	13,318
Total non-current assets		**331,969**	133,217
CURRENT ASSETS			
Inventories	15	**255,832**	269,158
Trade and bills receivables	16	**130,122**	150,469
Prepayments, deposits and other receivables	17	**194,513**	114,438
Cash and cash equivalents	18	**169,939**	186,378
Total current assets		**750,406**	720,443
CURRENT LIABILITIES			
Trade payables	19	**13,621**	6,321
Other payables and accruals	20	**55,093**	46,110
Interest-bearing bank borrowings	21	**325,301**	236,144
Lease liabilities	22(b)	**11,979**	1,213
Tax payables		**16,498**	10,370
Total current liabilities		**422,492**	300,158
NET CURRENT ASSETS		**327,914**	420,285
TOTAL ASSETS LESS CURRENT LIABILITIES		**659,883**	553,502

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	21	**19,824**	29,786
Lease liabilities	22(b)	**17,282**	1,954
Total non-current liabilities		**37,106**	31,740
Net assets		**622,777**	521,762
EQUITY			
Share capital	23	**2,712**	2,712
Reserves	24	**620,065**	519,050
Total equity		**622,777**	521,762

Mr. Wu Lijue
Director

Mr. Lau Kwok Fai Patrick
Director

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note 24)	Merger reserve RMB'000 (Note 24)	Other reserve RMB'000	PRC statutory reserve RMB'000 (Note 24)	Specific reserve RMB'000 (Note 24)	Exchange reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2020	–	–	34,347	8,803	9	–	5,592	(1,280)	273,129	320,600
Profit for the year	–	–	–	–	–	–	–	–	70,309	70,309
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	131	–	131
Exchange differences on translation of the Company's financial statements	–	–	–	–	–	–	–	(666)	–	(666)
Total comprehensive income for the year	–	–	–	–	–	–	–	(535)	70,309	69,774
Appropriation to specific reserve, net	–	–	–	–	–	–	3,252	–	(3,252)	–
Issue of shares pursuant to share offer (note 23)	678	150,527	–	–	–	–	–	–	–	151,205
Issue of shares pursuant to capitalisation issue (note 23)	2,034	(2,034)	–	–	–	–	–	–	–	–
Shares issue expenses	–	(19,817)	–	–	–	–	–	–	–	(19,817)
At 31 December 2020 and 1 January 2021	2,712	128,676*	34,347*	8,803*	9*	–	8,844*	(1,815)*	340,186*	521,762
Profit for the year	–	–	–	–	–	–	–	–	102,065	102,065
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(880)	–	(880)
Exchange differences on translation of the Company's financial statements	–	–	–	–	–	–	–	(170)	–	(170)
Total comprehensive income for the year	–	–	–	–	–	–	–	(1,050)	102,065	101,015
Utilisation of specific reserve, net	–	–	–	–	–	–	(749)	–	749	–
Transfer to PRC statutory reserve	–	–	–	–	–	64,400	–	–	(64,400)	–
At 31 December 2021	2,712	128,676*	34,347*	8,803*	9*	64,400*	8,095*	(2,865)*	378,600*	622,777

* These reserve accounts comprise the consolidated reserves of RMB620,065,000 (2020: RMB519,050,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**118,550**	87,164
Adjustments for:			
Finance costs	6	**11,782**	8,022
Depreciation of property, plant and equipment	7	**12,752**	12,270
Depreciation of right-of-use assets	7	**5,769**	1,793
Loss on disposal of items of property, plant and equipment	7	**1,609**	363
(Reversal of impairment)/impairment of trade receivables	7	**(5,933)**	6,925
(Write-back of provision)/provision of inventories	7	**(5,545)**	4,852
Interest income	5	**(1,277)**	(1,268)
		137,707	120,121
Decrease/(increase) in inventories		**18,871**	(144,131)
Decrease in trade and bills receivables		**26,280**	11,764
Increase in prepayments, deposits and other receivables		**(76,617)**	(67,824)
Increase/(decrease) in trade payables		**7,327**	(10,884)
Increase in other payables and accruals		**9,038**	11,489
Cash generated from/(used in) operations		**122,606**	(79,465)
Interest paid	28(b)	**(445)**	(189)
Hong Kong profits tax paid		**(316)**	–
Overseas taxes paid		**(9,877)**	(13,495)
Net cash flows generated from/(used in) operating activities		**111,968**	(93,149)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in associates		**(41,813)**	–
Purchases of items of property, plant and equipment		**(81,735)**	(16,530)
Proceeds from disposal of items of property, plant and equipment		**–**	278
Prepayments and deposits paid for acquisition of property, plant and equipment		**(63,202)**	(1,351)
Interest received		**1,277**	1,268
Net cash flows used in investing activities		**(185,473)**	(16,335)

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	151,205
Share issue expenses		–	(19,817)
New bank loans		410,318	442,591
Repayment of bank loans		(331,123)	(319,923)
Repayment of lease liabilities	28(b)	(4,171)	(1,477)
Interest paid		(13,215)	(10,272)
Net cash flows from financing activities		61,809	242,307
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11,696)	132,823
Cash and cash equivalents at beginning of year		186,378	58,475
Effect of foreign exchange rate changes, net		(4,743)	(4,920)
CASH AND CASH EQUIVALENTS AT END OF YEAR		169,939	186,378
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		169,939	186,378

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands under the Companies Law (2010 Revision) of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 March 2020 (the "Listing").

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

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Jiawei Resources Holding Limited ("Jiawei Resources Seychelles"), which is incorporated in the Republic of Seychelles ("Seychelles").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xinjia Group Limited 新佳集團有限公司	Seychelles 21 June 2017	US$1	100	–	Investment holding
Ximei Resources (Guangdong) Limited* 稀美資源(廣東)有限公司#	People's Republic of China ("PRC")/ Mainland China 9 May 2006	RMB128,800,000	–	100	Manufacture and sale of non-ferrous metal products
Ximei Resources (Hong Kong) Limited 稀美資源(香港)有限公司	Hong Kong 29 June 2017	Hong Kong dollars ("HK$") 10,000	–	100	Sale of non-ferrous metal products
Ximei Resources (Guizhou) Technology Limited* 稀美資源(貴州)科技有限公司	PRC/Mainland China 30 September 2020	RMB100,000,000	–	100	Manufacture and sale of non-ferrous metal products
Ximei (Hainan) Trading Limited* 稀美(海南)貿易有限公司	PRC/Mainland China 16 October 2020	RMB10,000,000	–	100	Sale of non-ferrous metal products
Guizhou Ximei Recycling Technology Co., Ltd* 貴州稀美循環科技有限公司	PRC/Mainland China 1 December 2021	RMB2,000,000	–	100	Trading of non-ferrous metal products

* The English names of the companies are direct translations of their Chinese names as no English names have been registered or are available.

\# A wholly-foreign-owned enterprise under the PRC law.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendment to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 1 *Disclosure of Accounting Policies* 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

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. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated statement of other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) (Continued)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.9%–10%
Plant and machinery	10%–20%
Furniture and office equipment	20%–25%
Motor vehicles	16.7%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Offices	2 to 3 years
Plant and machinery	3 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Leases of low-value assets

The Group applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, financial assets included in prepayments, deposits and other receivables and cash and cash equivalents.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on probability of default, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, lease liabilities and interest-bearing bank borrowings.

Subsequent measurement of financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of products

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Provision of processing services

Processing service income is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

The employees of the Group's subsidiaries which operate in the Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Payments to state-managed retirement benefit schemes in jurisdictions other than the Mainland China are charged as expenses when employees have rendered service entitling them to the contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take substantial period of time to get ready for their intended use of sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 5.4% (2020: 5.4%) has been applied to the expenditure on the individual assets.

Foreign currencies

The financial statements are presented in RMB, which is different from the Company's functional currency, HK$. As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Write-down of inventories to net realisable value

Management reviews the condition and ageing analysis of inventories of the Group to identify any obsolete and slow-moving inventory items. Based on such review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. The Group estimates the net realisable value for such inventories based on estimated selling prices with reference to the latest invoice prices and current market conditions at the end of the reporting period.

The identification of obsolete and slow-moving inventory items and estimation of net realisable values requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made. The carrying amount of inventories at 31 December 2021 was RMB255,832,000 (2020: RMB269,158,000).

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The information about the ECLs on the Group's trade receivables is disclosed in note 16 to the consolidated financial statements. The carrying amount of trade and bills receivables at 31 December 2021 was RMB130,122,000 (2020: RMB150,469,000).

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

	2021 RMB'000	2020 RMB'000
The PRC	**330,889**	132,537
Others	**1,080**	680
	331,969	133,217

The non-current asset information above is based on the locations of the assets.

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

Revenue derived from the sale of non-ferrous metal products and provision of processing services to customers which individually accounted for 10% or more of the Group's revenue for the reporting period is set out below:

	2021 RMB'000	2020 RMB'000
Customer A*	–	176,203
Customer B	114,494	89,091

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

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

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

5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

(i) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Types of goods or services		
Sale of products	684,617	595,857
Provision of processing services	79,108	5,795
Total revenue from contracts with customers	763,725	601,652
Timing of revenue recognition		
Goods transferred at a point in time	684,617	595,857
Services rendered over time	79,108	5,795
Total revenue from contracts with customers	763,725	601,652

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:

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

(ii) Performance obligations

Sale of products

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Provision of processing services

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

No performance obligations were unsatisfied or partially unsatisfied as at 31 December 2021 (2020: Nil).

5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

(ii) Performance obligations (Continued)

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

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

* Government grants have been received from the PRC local government authorities to support a subsidiary's research and development activities. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

* Interest expenses was capitalised for the construction in progress.

7. PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		**558,205**	429,002
Depreciation of property, plant and equipment	13	**12,752**	12,270
Depreciation of right-of-use assets	22	**5,769**	1,793
Research and development costs		**29,762**	24,005
Lease payments not included in the measurement of lease liabilities	22	**56**	–
Auditors' remuneration		**1,831**	1,636
Employee benefit expense (including directors' and chief executive's remuneration (note 10)):			
Wages and salaries		**49,428**	37,035
Pension scheme contributions*		**6,162**	4,814
		55,590	41,849
Loss on disposal of items of property, plant and equipment#		**1,609**	363
(Reversal of impairment)/impairment of trade receivables#	16	**(5,933)**	6,925
(Write-back of provision)/provision of inventories#		**(5,545)**	4,852
Foreign exchange differences, net		**(2,590)**	(10,985)

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

Included in other operating income/(expenses)

8. INCOME TAX

During the year, Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong for the Hong Kong subsidiary of the Group, which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Tax on profits assessable in the Mainland China has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the year (2020: 25%). During the year, Ximei Resources (Guangdong) Limited was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate at 15% (2020: 15%).

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

8. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2021 RMB'000	2021 %	2020 RMB'000	2020 %
Profit before tax	**118,550**		87,164	
Tax at the statutory tax rate	**29,637**	**25.0**	21,791	25.0
Lower tax rate enacted by local authority	**(10,932)**	**(9.2)**	(8,953)	(10.3)
Lower tax rates for subsidiaries operating in other jurisdictions	**(1,898)**	**(1.6)**	(1,806)	(2.1)
Adjustments in respect of current tax of previous periods	**1,727**	**1.5**	–	–
Additional tax deduction on research and development expenses of PRC subsidiaries	**(3,876)**	**(3.3)**	(2,659)	(3.1)
Income not subject to tax	**(923)**	**(0.7)**	(153)	(0.1)
Tax effect of unrecognised deductible temporary differences	**(1,722)**	**(1.5)**	1,766	2.0
Expenses not deductible for tax	**2,195**	**1.8**	6,598	7.6
Tax losses not recognised	**2,237**	**1.9**	–	–
Others	**40**	**–**	271	0.3
Tax charge at the Group's effective rate	**16,485**	**13.9**	16,855	19.3

8. INCOME TAX (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2021 RMB'000	2020 RMB'000
Tax losses	8,949	–
Deductible temporary differences	992	12,471
	9,882	12,471

The above tax losses arising in the Mainland China that are available for a maximum of five years for offsetting against future taxable profits of the subsidiary in which the losses arose. Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB473.2 million (2020: RMB378.1 million) of a subsidiary of the Group established in the PRC. In the opinion of the Directors, the Group will retain all of the distributable profits of the PRC's subsidiary for its operation in Mainland China and no dividend will be declared in the foreseeable future. Hence, no deferred tax for withholding tax was recognised.

9. DIVIDENDS

No dividend has been paid or proposed by the Company during the year (2020: Nil).

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	**291**	272
Other emoluments:		
Salaries, allowances and benefits in kind	**1,254**	1,359
Pension scheme contributions	**57**	29
	1,311	1,388

Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Mr. Lau Kwok Fai Patrick	**125**	116
Mr. Zhong Hui	**83**	78
Mr. Yin Fusheng	**83**	78
	291	272

There were no other emoluments paid or payable to the independent non-executive directors of the Company during the year (2020: Nil).

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

Executive directors and a non-executive director

The remuneration of directors and the chief executive for the year is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2021				
Executive directors:				
Mr. Wu Lijue*	**–**	**830**	**15**	**845**
Ms. Wu Shandan	**–**	**409**	**42**	**451**
	–	**1,239**	**57**	**1,296**
Non-executive director:				
Mr. Zeng Min#	**–**	**15**	**–**	**15**
Year ended 31 December 2020				
Executive directors:				
Mr. Wu Lijue*	–	843	16	859
Ms. Wu Shandan	–	409	13	422
	–	1,252	29	1,281
Non-executive director:				
Mr. Zeng Min#	–	107	–	107

* Mr. Wu Lijue is also the chief executive of the Company.

Mr. Zeng Min resigned as a non-executive director of the Company on 23 February 2021.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

During the year, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office (2020: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one director (2020: two directors) for the year ended 31 December 2021, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining four (2020: three) highest paid employees for the year, who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	2,352	1,713
Pension scheme contributions	217	66
	2,569	1,779

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2021	2020
Nil to HK$1,000,000 (equivalent to RMB830,000)	4	3

During the year, no remuneration was paid by the Group to any of these non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group, or as a compensation for loss of office (2020: Nil). There was no arrangement under which any of these non-director and non-chief executive highest paid employees waived or has agreed to waive any emoluments during the year (2020: Nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 300,000,000 (2020: 285,410,959) in issue during the year.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021						
At 1 January 2021:						
Cost	52,853	69,042	719	3,969	16,454	143,037
Accumulated depreciation	(19,535)	(25,566)	(393)	(1,986)	–	(47,480)
Net carrying amount	33,318	43,476	326	1,983	16,454	95,557
At 1 January 2021, net of accumulated depreciation	33,318	43,476	326	1,983	16,454	95,557
Additions	–	–	310	–	83,303	83,613
Transfers	1,633	9,446	767	881	(12,727)	–
Depreciation provided during the year	(3,127)	(8,724)	(161)	(740)	–	(12,752)
Disposals	(41)	(223)	(390)	–	(955)	(1,609)
Exchange realignment	–	–	–	(11)	–	(11)
At 31 December 2021, net of accumulated depreciation	31,783	43,975	852	2,113	86,075	164,798
At 31 December 2021:						
Cost	54,211	77,900	1,396	4,850	86,075	224,432
Accumulated depreciation	(22,428)	(33,925)	(544)	(2,737)	–	(59,634)
Net carrying amount	31,783	43,975	852	2,113	86,075	164,798

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020						
At 1 January 2020:						
Cost	50,627	68,255	1,049	3,894	7,835	131,660
Accumulated depreciation	(16,645)	(23,128)	(684)	(1,673)	–	(42,130)
Net carrying amount	33,982	45,127	365	2,221	7,835	89,530
At 1 January 2020, net of accumulated depreciation	33,982	45,127	365	2,221	7,835	89,530
Additions	–	82	38	343	18,506	18,969
Transfers	2,528	7,183	56	120	(9,887)	–
Depreciation provided during the year	(3,126)	(8,370)	(133)	(641)	–	(12,270)
Disposals/write-off	(66)	(546)	–	(29)	–	(641)
Exchange realignment	–	–	–	(31)	–	(31)
At 31 December 2020, net of accumulated depreciation	33,318	43,476	326	1,983	16,454	95,557
At 31 December 2020:						
Cost	52,853	69,042	719	3,969	16,454	143,037
Accumulated depreciation	(19,535)	(25,566)	(393)	(1,986)	–	(47,480)
Net carrying amount	33,318	43,476	326	1,983	16,454	95,557

As at 31 December 2021, included in the Group's buildings were six buildings with an aggregate carrying amount of approximately RMB5,981,000 (2020: RMB6,343,000) for which no building ownership certificates have been obtained. The building ownership certificates of these buildings are expected to be obtained by the end of 2022. Based on the PRC legal opinion, the Group is eligible to use these buildings though the formal ownership certificates of these buildings have not yet been obtained by the Group.

At 31 December 2021, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB25,205,000 (2020: RMB30,205,000) were pledged to secure the Group's bank loans (note 21).

14. INVESTMENTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets	41,813	–

As at 31 December 2021, particulars of the Group's associates are as follows:

	Registered capital	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Percentage of voting rights held by the Group	Principal activities
Tianmei Lithium Energy (Sichuan) Co., Ltd.* ("Tianmei Sichuan") 天美鋰電能源(四川)有限公司 (Note a)	RMB200,000,000	PRC/ Mainland China	18. 66%	18.66%	Manufacture and sale of non-ferrous metal products
CNNC Huazhong New Materials Co., Ltd.* ("CNNC Huazhong") 中核華中新材料有限公司 (Note b)	RMB100,000,000	PRC/ Mainland China	45%	45%	Manufacture and sale of non-ferrous metal products

* The English names of the companies are direct translations of their Chinese names as no English names have been registered or are available.

The above investments are indirectly held by the Company. During the year, Tianmei Sichuan and CNNC Huazhong have not yet commenced business, and no share of profit or loss was recognised.

Notes:

(a) The board composition of Tianmei Sichuan comprised of five directors, in which one of the directors is appointed by the Group and the remaining four directors was appointed by each of the other shareholders of Tianmei Sichuan. The resolution of the board of directors of Tianmei Sichuan requires approval by simple majority. As such, the Group can exercise significant influence over Tianmei Sichuan's financial or operating policies and, accordingly, the Group accounts for its interest in Tianmei Sichuan as an associate.

(b) The board composition of CNNC Huazhong consists of five directors, in which two of the directors are being appointed by the Group and the remaining three directors are being appointed by the other shareholder of CNNC Huazhong. The resolution of the board of directors of CNNC Huazhong requires approval by simple majority. As such, the Group can exercise significant influence over CNNC Huazhong's financial or operating policies and, accordingly, the Group accounts for its interest in CNNC Huazhong as an associate.

15. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	143,203	184,069
Work in progress	59,554	36,669
Finished goods	53,075	48,420
	255,832	269,158

16. TRADE AND BILLS RECEIVABLES

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

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.

16. TRADE AND BILLS RECEIVABLES (Continued)

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

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

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

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

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.

16. TRADE AND BILLS RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.47%	0.47%	24.67%	24.67%	0.96%
Gross carrying amount (RMB'000)	90,104	11,338	1,998	88	103,528
Expected credit losses (RMB'000)	423	53	493	22	992

As at 31 December 2020

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.18%	0.64%	12.30%	88.76%	6.45%
Gross carrying amount (RMB'000)	41,162	14,577	51,137	525	107,401
Expected credit losses (RMB'000)	75	93	6,291	466	6,925

There was no recent history of default for bills receivable. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2021 RMB'000	2020 RMB'000
Non-current			
Deposit	(a)	**8,000**	1,000
Prepayment for the prepaid land leases	(b)	**3,193**	3,193
Prepayments for acquisition of property, plant and equipment		**65,327**	9,125
		76,520	13,318
Current			
Prepayments		**139,602**	81,392
Other tax recoverable		**52,692**	30,428
Deposits and other receivables	(c)	**2,219**	2,618
		194,513	114,438

Notes:

(a) In 2021, the Group entered into construction contract with an independent third party for a new factory in Guizhou with the estimated contract sum of RMB79,981,000. The Group has paid a deposit of RMB8,000,000 and expected the construction to be completed by 31 May 2024.

(b) In prior years, the Group entered into a sale and purchase agreement with the local authority for the prepaid land leases in Yingde with aggregate considerations of RMB14,000,000, of which the prepaid land leases of RMB3,193,000 has not yet obtained the certificate of prepaid land use right.

(c) The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

18. CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the Group are denominated in HK$, RMB or US$.

At 31 December 2021, the Group's cash and bank balances denominated in RMB amounted to RMB121,023,000 (2020: RMB149,623,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

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

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

20. OTHER PAYABLES AND ACCRUALS

	Notes	2021 RMB'000	2020 RMB'000
Contract liabilities	(i)	**2,215**	1,555
Other payables	(ii)	**15,403**	10,040
Accruals		**30,957**	25,426
Deferred income	(iii)	**6,518**	9,089
		55,093	46,110

Notes:

(i) Details of contract liabilities are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Short-term advances received from customers			
Sale of products	**2,215**	1,555	1,239

Contract liabilities include short-term advances received to deliver goods. The increase in contract liabilities in 2021 and 2020 was mainly due to the increase in advances received from customers for the sale of products at the predetermined prices at the end of the year.

(ii) Other payables are non-interest-bearing and have an average credit term of three months.

(iii) Deferred income represents government grants received from the PRC local government authorities to support a subsidiary's research and development activities and acquisition of property, plant and equipment. The government grants received for acquisition of property, plant and equipment are recognised as deferred income, which is amortised against the depreciation charge of the property, plant and equipment in accordance with their estimated useful lives.

21. INTEREST-BEARING BANK BORROWINGS

	31 December 2021			31 December 2020		
	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000
Current						
Bank loans – unsecured	0.6-4.2	2022	261,308	0.9-4.8	2021	227,132
Bank loans – secured	1.4-5.4	2022	63,993	5.4	2021	9,012
			325,301			236,144
Non-current						
Bank loans – secured	5.4	2023-2024	19,824	5.4	2022-2024	29,786
			345,125			265,930

The maturity of the above bank borrowings is as follows:

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	325,301	236,144
In the second year	9,527	9,256
In the third to fifth years, inclusive	10,297	20,530
	345,125	265,930

Notes:

(a) As at 31 December 2021, the Group's loan facilities amounting to RMB210,000,000 (2020: RMB456,000,000), of which RMB170,242,000 (2020: RMB117,861,000) had been utilised as at the end of the reporting period, were guaranteed by the Company.

As at 31 December 2021, the Group's loan facilities amounting to RMB226,000,000 (2020: RMB100,000,000), of which RMB51,932,000 (2020: RMB44,056,000) had been utilised as at the end of the reporting period, were jointly guaranteed by the Company and the Company's subsidiary, Ximei Resources (Hong Kong) Limited.

(b) As at 31 December 2021, certain of the Group's bank loans were secured by the pledge of certain of the Group's leasehold lands and property, plant and equipment with net carrying amounts of approximately RMB5,754,000 (2020: RMB5,878,000) and RMB25,205,000 (2020: RMB30,205,000), respectively.

(c) The bank loans of RMB63,789,000 (2020: RMB108,948,000) and RMB281,336,000 (2020: RMB156,982,000) are denominated in RMB and US$, respectively.

22. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, plant and machinery and offices used in its operations. Lump sum payments were made upfront to acquire most of the leased land located in Yingde from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. In addition, there is a lease of a piece of land located in Yingde with lease terms of 50 years, and leases of plant and machinery and offices with lease terms between 2 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets of the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Plant and machinery RMB'000	Offices RMB'000	Total RMB'000
As at 1 January 2020	22,608	–	3,409	26,017
Depreciation charge	(500)	–	(1,293)	(1,793)
Remeasurement arising from revision of lease terms	–	–	132	132
Exchange realignment	–	–	(14)	(14)
As at 31 December 2020 and 1 January 2021	22,108	–	2,234	24,342
Additions	–	28,995	1,004	29,999
Depreciation charge	(500)	(3,904)	(1,365)	(5,769)
Revision of a lease term arising from a change in the non-cancellable period of lease	–	288	–	288
Exchange realignment	–	–	(22)	(22)
As at 31 December 2021	21,608	25,379	1,851	48,838

At 31 December 2021, certain of the Group's leasehold lands with a net carrying amount of approximately RMB5,754,000 (2020: RMB5,878,000) were pledged to secure the Group's bank loans (note 21).

22. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	3,167	4,526
New leases	29,999	–
Accretion of interest recognised during the year	445	189
Payments	(4,616)	(1,666)
Revision of a lease term arising from a change in the non-cancellable period of lease	288	–
Remeasurement arising from revision of lease terms	–	132
Exchange realignment	(22)	(14)
Carrying amount at 31 December	29,261	3,167
Analysed into:		
Current portion	11,979	1,213
Non-current portion	17,282	1,954
	29,261	3,167

The maturity analysis of lease liabilities is as follows:

	2021 RMB'000	2020 RMB'000
Analysed into:		
Within one year	11,979	1,213
In the second year	11,322	1,125
In the third to fifth years, inclusive	5,158	13
Beyond five years	802	816
	29,261	3,167

22. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	445	189
Expense related to leases of low-value assets (included in administrative expenses)	56	–
Depreciation charge of right-of-use assets	5,769	1,793
Total amount recognised in profit or loss	6,270	1,982

(d) The total cash outflow for leases is disclosed in note 28(c) to the consolidated financial statements.

23. SHARE CAPITAL

	2021		2020	
	HK'000	Equivalent to RMB'000	HK'000	Equivalent to RMB'000
Issued and fully paid: 300,000,000 ordinary shares of HK$0.01 each	3,000	2,712	3,000	2,712

On 12 March 2020, 300,000,000 new shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited, pursuant to which 224,999,990 shares were issued by the Company to its then existing shareholders by way of capitalisation from the share premium account and 75,000,000 shares were issued by the Company's initial public offering at the offer price of HK$2.23 per share. The gross proceeds amounted to approximately HK$167.3 million.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 69.

The Group's capital reserve is a capital contribution by the shareholder for a reorganisation completed on 31 August 2017.

The Group's merger reserve mainly represents the deemed contribution by and distribution to the controlling shareholder pursuant to a reorganisation completed on 31 August 2017.

Pursuant to the relevant laws and regulations in Mainland China, a portion of the profits of the Company's subsidiaries in Mainland China has been transferred to the statutory reserve which are restricted to use.

The Group's specific reserve represents the safety production fund provided in accordance with relevant PRC regulations. The Group is required to transfer an amount to specific reserve for the safety production fund based on the turnover. Such reserve is reduced for expenses incurred for safety production purposes or when safety production related equipment is purchased.

25. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 21 (b) to the consolidated financial statements.

26. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 **RMB'000**	2020 RMB'000
Contracted but not provided for:		
Plant and equipment	**104,420**	43,954
Capital contributions to an associate	**40,500**	–
	144,920	43,954

27. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the current and prior years:

	Notes	2021 RMB'000	2020 RMB'000
Lease payments for properties:			
Jiawei Resources Limited	(i)	**349**	374
Mr. Wu Lijue	(ii)	**1,031**	477

Notes:

(i) The Group leased an office property from Jiawei Resources Limited. The monthly lease payments for a property located in Hong Kong were paid or payable by the Group to the fellow subsidiary based on terms as agreed by the relevant parties as set out in a tenancy agreement.

As at 31 December 2021, a right-of-use asset of RMB832,000 (2020: RMB195,000) and a lease liability of RMB823,000 (2020: RMB204,000) in respect of the leases were recognised in the consolidated statement of financial position; and during the year, depreciation of the right-of-use asset of RMB346,000 (2020: RMB354,000) and interest expense on the lease liability of RMB16,000 (2020: RMB20,000) were charged to the consolidated statement of profit or loss.

(ii) The Group leased an office lease properties from Mr. Wu Lijue. The monthly lease payments for properties located in the Mainland China were paid or payable by the Group to the Company's controlling shareholder based on terms as agreed by the relevant parties as set out in the tenancy agreements.

As at 31 December 2021, right-of-use assets of RMB1,019,000 (2020: RMB2,039,000) and lease liabilities of RMB1,159,000 (2020: RMB2,123,000) in respect of the leases were recognised in the consolidated statement of financial position; and during the year, depreciation of the right-of-use assets of RMB1,019,000 (2020: RMB939,000) and interest expense on the lease liabilities of RMB67,000 (2020: RMB125,000) were charged to the consolidated statement of profit or loss.

(b) Compensation of key management personnel of the Group:

	2021 RMB'000	2020 RMB'000
Short term employee benefits	**3,897**	3,745
Post-employment benefits	**274**	113
Total compensation paid to key management personnel	**4,171**	3,858

Further details of the directors' and chief executive's emoluments are included in note 10 to the consolidated financial statements.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB29,999,000 and RMB29,999,000, respectively, in respect of lease arrangements for office and plant and machinery.

During the year ended 31 December 2021, the Group had non-cash remeasurements of right-of-use assets and lease liabilities of RMB288,000 and RMB288,000, respectively, arising from a change in the non-cancellable period of lease.

During the year ended 31 December 2020, the Group had non-cash remeasurements of right-of-use assets and lease liabilities of RMB132,000 and RMB132,000, respectively, arising from revision of lease terms.

(b) Changes in liabilities arising from financing activities:

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
As at 1 January 2020	143,262	4,526
Changes from financing cash flows	122,668	(1,477)
Remeasurement arising from revision of lease terms	–	132
Interest expense	–	189
Interest paid classified as operating cash flows	–	(189)
Foreign exchange movement	–	(14)
As at 31 December 2020 and 1 January 2021	**265,930**	**3,167**
Changes from financing cash flows	**79,195**	**(4,171)**
New leases	**–**	**29,999**
Revision of a lease term arising from a change in the non-cancellable period of lease	**–**	**288**
Interest expense	**–**	**445**
Interest paid classified as operating cash flows	**–**	**(445)**
Foreign exchange movement	**–**	**(22)**
As at 31 December 2021	**345,125**	**29,261**

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	**445**	189
Within financing activities	**4,171**	1,477
	4,616	1,666

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets at amortised cost

	2021 RMB'000	2020 RMB'000
Trade and bills receivables	**130,122**	150,469
Financial assets included in prepayments, deposits and other receivables	**2,219**	2,618
Cash and cash equivalents	**169,939**	186,378
	302,280	339,465

Financial liabilities at amortised cost

	2021 RMB'000	2020 RMB'000
Trade payables	**13,621**	6,321
Financial liabilities included in other payables and accruals	**46,360**	35,466
Interest-bearing bank borrowings	**345,125**	265,930
Lease liabilities	**29,261**	3,167
	434,367	310,884

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair value	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Interest-bearing bank borrowings	**345,125**	265,930	**338,926**	263,212

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of other financial assets and financial liabilities carried at amortised cost approximate to their carrying amounts.

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
As at 31 December 2021				
Interest-bearing bank borrowings	**–**	**338,926**	**–**	**338,926**

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
As at 31 December 2020				
Interest-bearing bank borrowings	–	263,212	–	263,212

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade payables and other payables.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank balances and bank loans. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings and cash and cash equivalents).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
31 December 2021		
RMB	**100**	**572**
US$	**100**	**(2,459)**
HK$	**100**	**134**
RMB	**(100)**	**(572)**
US$	**(100)**	**2,459**
HK$	**(100)**	**(134)**
31 December 2020		
RMB	100	407
US$	100	(1,336)
HK$	100	134
RMB	(100)	(407)
US$	(100)	1,336
HK$	(100)	(134)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. During the year ended 31 December 2021, approximately 15.2% (2020: 12.8%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale. Such exposures also arise from bank balances and bank loans denominated in currencies other than the units' functional currencies. The Group currently does not have a foreign exchange hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
31 December 2021		
If RMB weakens against US$	**1**	**(2,344)**
If RMB weakens against HK$	**1**	**134**
If RMB strengthens against US$	**(1)**	**2,344**
If RMB strengthens against HK$	**(1)**	**(134)**
31 December 2020		
If RMB weakens against US$	1	(1,281)
If RMB weakens against HK$	1	134
If RMB strengthens against US$	(1)	1,281
If RMB strengthens against HK$	(1)	(134)

Credit risk

Credit risk of the Group's financial assets, which comprise cash and cash equivalents, trade and other receivables, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

At the end of the reporting period, the Group had certain concentration of credit risk as as 62.1% (2020: 79.7%) of the Group' trade receivables were due from the five largest debtors, while 15.5% (2020: 54.9%) of the total trade receivables were due from the largest debtor.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021. The amounts presented are gross carrying amounts for the financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	**–**	**–**	**–**	**103,528**	**103,528**
Bills receivable					
– Normal**	**27,586**	**–**	**–**	**–**	**27,586**
Financial assets included in prepayments, deposits and other receivables					
– Normal**	**2,219**	**–**	**–**	**–**	**2,219**
Cash and cash equivalents					
– Not yet past due	**169,939**	**–**	**–**	**–**	**169,939**
	199,744	**–**	**–**	**103,528**	**303,272**

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	107,401	107,401
Bills receivable					
– Normal**	49,993	–	–	–	49,993
Financial assets included in prepayments, deposits and other receivables					
– Normal**	2,618	–	–	–	2,618
Cash and cash equivalents					
– Not yet past due	186,378	–	–	–	186,378
	238,989	–	–	107,401	346,390

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 16 to the consolidated financial statements.

** The credit quality of bills receivable and financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets have a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of long term bank loans and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2021

	On demand and within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	**13,621**	**–**	**–**	**13,621**
Other payables and accruals	**46,360**	**–**	**–**	**46,360**
Interest-bearing bank borrowings	**328,656**	**20,512**	**–**	**349,168**
Lease liabilities	**13,987**	**19,760**	**1,656**	**35,403**
	402,624	**40,272**	**1,656**	**444,552**

31 December 2020

	On demand and within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	6,321	–	–	6,321
Other payables and accruals	35,466	–	–	35,466
Interest-bearing bank borrowings	240,028	36,258	–	276,286
Lease liabilities	1,337	1,263	1,704	4,304
	283,152	37,521	1,704	322,377

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate benchmark reform

As at 31 December 2021, the Group had certain interest-bearing bank borrowings denominated in United States dollar. The interest rates of these instruments are based on the LIBOR with a tenor of two months or twelve months, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

	2021 **RMB'000**	2020 RMB'000
Non-derivative financial liabilities – carrying value		
Interest-bearing bank borrowings		
– United States dollar LIBOR	**281,336**	156,982

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group regards its total equity as capital and manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt represents interest-bearing bank borrowings and lease liabilities. The gearing ratios as at the end of the reporting period were as follows:

	2021 **RMB'000**	2020 RMB'000
Total debt	**374,386**	269,097
Total equity	**622,777**	521,762
Gearing ratio	**60.1%**	51.6%

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	129,157	129,157
Due from a subsidiary	231	203
Total non-current assets	129,388	129,360
CURRENT ASSETS		
Cash and cash equivalents	4,208	9,854
Total current assets	4,208	9,854
CURRENT LIABILITIES		
Other payables and accruals	1,397	1,646
Total current liabilities	1,397	1,646
NET CURRENT ASSETS	2,811	8,208
TOTAL ASSETS LESS CURRENT LIABILITIES	132,199	137,568
NON-CURRENT LIABILITIES		
Due to a subsidiary	19,930	19,956
Total non-current liabilities	19,930	19,956
Net assets	112,269	117,612
EQUITY		
Share capital	2,712	2,712
Reserves (note)	109,557	114,900
Total equity	112,269	117,612

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	–	34,347	(730)	(17,996)	15,621
Loss for the year	–	–	–	(28,731)	(28,731)
Exchange differences on translation of the Company's financial statements	–	–	(666)	–	(666)
Issue of shares pursuant to share offer	150,527	–	–	–	150,527
Issue of shares pursuant to capitalisation issue	(2,034)	–	–	–	(2,034)
Shares issue expenses	(19,817)	–	–	–	(19,817)
At 31 December 2020 and 1 January 2021	**128,676**	**34,347**	**(1,396)**	**(46,727)**	**114,900**
Loss for the year	**–**	**–**	**–**	**(5,173)**	**(5,173)**
Exchange differences on translation of the Company's financial statements	**–**	**–**	**(170)**	**–**	**(170)**
At 31 December 2021	**128,676**	**34,347**	**(1,566)**	**(51,900)**	**109,557**

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

FINANCIAL SUMMARY

The following table summarizes the consolidated results of our Group for the five years ended 31 December:

	For the year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
CONSOLIDATED RESULTS					
Revenue	**763,725**	601,652	600,644	514,718	307,360
Gross profit	**205,520**	172,650	159,004	165,233	87,344
Profit before taxation	**118,550**	87,164	83,941	90,094	46,634
Income tax	**(16,485)**	(16,855)	(14,289)	(13,023)	(8,050)
Profit for the year from continuing operation	**102,065**	70,309	69,652	77,071	38,584
Attributable to:					
Equity holders of the Company	**102,065**	70,309	69,652	77,071	38,584

	As at 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**1,082,375**	853,660	527,224	473,082	329,667
Total liabilities	**(459,598)**	(331,898)	(206,624)	(221,560)	(154,703)
Equity attributable to owners of the Company	**622,777**	521,762	320,600	251,522	174,964

Note: The summary of the consolidated results of the Group for the two years ended 31 December 2017 and 2018 and the consolidated assets and liabilities of the Group as at 31 December 2017 and 2018 have been extracted from the Prospectus. Such summary is presented on the basis set out in the Prospectus.