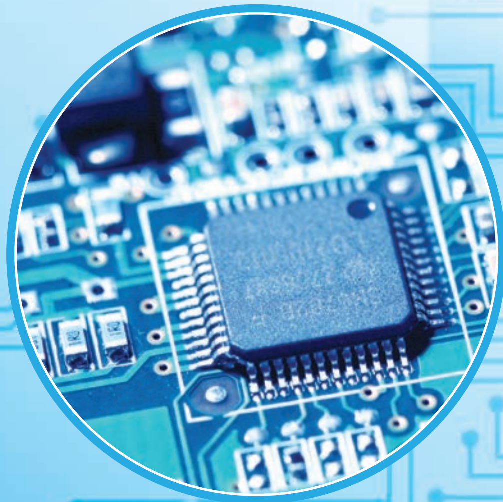
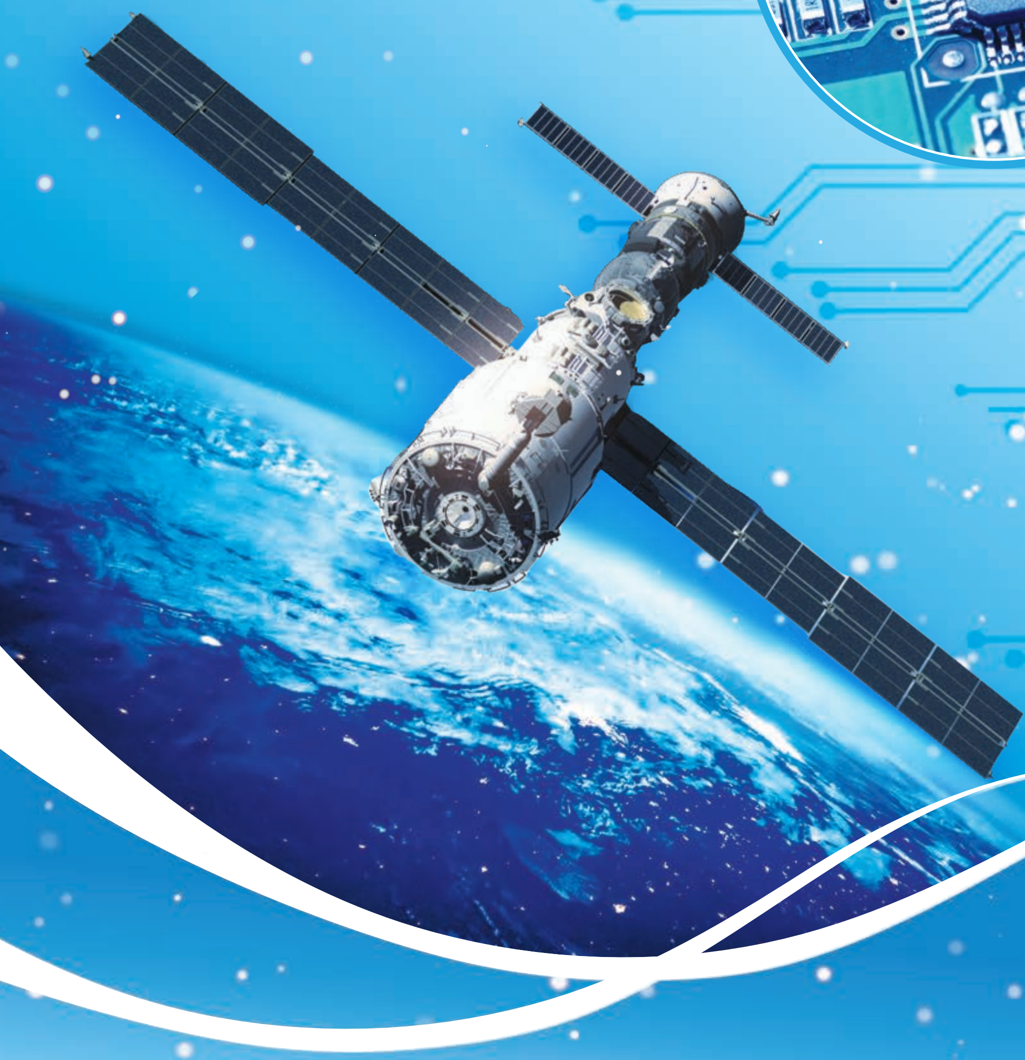
稀美資源控股有限公司
XIMEI RESOURCES HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9936





2022
ANNUAL REPORT

CORPORATE PROFILE

Ximei Resources Holding Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**" or "**Ximei Resources**" 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. The Company 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) (formerly known as Xite Group Limited (稀特集團有限公司)) and Ximei Resources (Guangdong) Limited* (稀美資源(廣東)有限公司) ("**Ximei Guangdong**") (formerly known as Guangdong Zhiyuan New Material Co., Ltd. (廣東致遠新材料有限公司)). There are three subsidiaries under Ximei Guangdong, namely Ximei Resources (Leizhou) Company Limited* (稀美資源(雷州)有限公司) ("**Ximei Leizhou**"), Ximei (Hainan) Trading Company Limited* (稀美(海南)貿易有限公司) ("**Ximei Hainan**") and Ximei Resources (Guiyang) Company Limited* (稀美資源(貴陽)有限公司) ("**Ximei Guiyang**"). Besides, there are two associates, namely CNNC Huazhong New Materials Co., Ltd. (中核華中新材料有限公司) ("**CNNC Huazhong**") and Ximei Resources (Guizhou) Technology Limited (稀美資源(貴州)科技有限公司) ("**Ximei Guizhou**"). The Group has now become a large corporation group with six production bases in Guangdong Province, Guizhou Province and Hunan Province respectively. In 2022, Ganfeng Lithium Group Co., Ltd. (江西贛鋒鋰業集團股份有限公司) ("**Ganfeng Lithium**"), a leading company in the global lithium industry chain, became a strategic shareholder of the Company with a 16.7% shareholding, providing strong support in terms of capital, technology and resources.

Founded on 9 May 2006, the Group is an early non-state-owned market player in the industry in the People's Republic of China (the "**PRC**"), and is 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 powder, tantalum bars, tantalum rods, ferroniobium, molten niobium and other tantalum– and niobium-based metal products, which are widely used in semiconductor, 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 and the Responsible Minerals Initiative (RMI) annual audit and become a member of the TIC and ITSCI and strictly complies with relevant laws, regulations and international rules.

The implementation entities of the Group's hydrometallurgical projects include Ximei Guangdong and Ximei Leizhou, being its wholly-owned subsidiaries, and CNNC Huazhong, being its associate. In particular, Ximei Guangdong is a world leading tantalum– and niobium-based hydrometallurgical enterprise, focusing on the research and development and production of tantalum heptafluorotantalate, niobium pentoxide, tantalum pentoxide, high-purity niobium pentoxide, high-purity tantalum pentoxide and tantalum powder. In the past three years, the Group's hydrometallurgical products gained a market share of nearly 40% (note 1) in China. The Group is a national high-tech enterprise and a national key "Little Giant" specialised and innovative enterprise, and has been recognised as an innovative enterprise of Guangdong Province, an excellent enterprise of Guangdong Province, a high-growth enterprise of Guangdong Province, a specialised and innovative enterprise of Guangdong Province and a provincial intellectual property demonstration enterprise. The Group has established several scientific research platforms such as the Guangdong Provincial Engineering Technology Center, the Guangdong Provincial Doctoral Workstation and the Guangdong Provincial Technology Specialist Workstation. Ximei Leizhou has a project with a total planned annual production capacity of 3,000 tonnes of high-performance tantalum– and niobium-based oxide and CNNC Huazhong has a project with a planned annual production capacity of 1,000 tonnes of tantalum– and niobium-based new materials, both of which are currently under preliminary construction planning.

The implementation entities of the Group's pyrometallurgical projects include Ximei Guizhou and Ximei Guiyang. Established in 2020, Ximei Guizhou is the Company's production base for pyrometallurgical products, which mainly include tantalum bars, tantalum ingots, molten niobium, alloy and other metal and products, with a planned production capacity of 1,500 tonnes per year, which will rank among the top three in the world once it reaches full capacity. Established in Guiyang in 2022 with a registered capital of RMB100 million, Ximei Guiyang has a high-end manufacturing project for tantalum– and niobium-based new materials. It is principally engaged in smelting, processing and alloy manufacturing of non-ferrous metal, and is expected to produce 1,100 tonnes of high-end tantalum– and niobium-based metal products upon completion of the project, which is currently under preliminary construction planning.

With the strategic positioning of "professional, integrated, large-scale, high-end, international and capital-based" operation and the development goal of "developing strategic metals and pursuing green metallurgy", Ximei Resources makes continuous research and development and innovation, expands its production capacity and extends its industrial chain. With its unique technology, excellent quality and high-quality services, the Group has won the recognition and praise of its customers and aspires to become "a world leading manufacturer and operator of tantalum– and niobium-based products".

Notes:

1. Reference is made to the statistics of Ximei Resources.

* *For identification purpose only.*

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wu Lijue *(Chairman)*
Ms. Wu Shandan (resigned on 15 April 2022)
Mr. Mao Zili (appointed on 2 September 2022)

Non-executive Director

Ms. Ouyang Ming (appointed on 2 September 2022)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Hon Wan *(HKICPA)*

AUTHORISED REPRESENTATIVES

Ms. Wu Shandan (resigned on 15 April 2022)
Mr. Wu Lijue (appointed on 15 April 2022)
Mr. Chan Hon Wan *(HKICPA)*

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People's Republic of China

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AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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Hong Kong

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Fogang County, Qingyuan City
Guangdong Province
People's Republic of China

Bank of China
Qingyuan Branch
No. 2, Beijiang Road, Xincheng
Qingyuan City
Guangdong Province
People's Republic of China

COMPANY'S WEBSITE

www.ximeigroup.com

STOCK CODE

9936

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2022 RMB'000	2021 RMB'000	Changes Increase/ (decrease)
Financial Highlights			
Revenue	**1,019,600**	763,725	33.5%
Cost of sales	**(713,700)**	(558,205)	27.9%
Gross profit	**305,900**	205,520	48.8%
Profit before taxation	**124,134**	118,550	4.7%
Total profit before interest and taxation (Note 4)	**145,102**	130,332	11.3%
Profit for the year	**107,467**	102,065	5.3%
Net profit after non-recurring profit or loss (Note 5)	**142,686**	95,785	49.0%
Profit attributable to owners of the Company	**104,734**	102,065	2.6%
Basic earnings per share (in RMB)	**0.32**	0.34	(5.9)%
Proposed final dividend per share (HK cents)	**Nil**	Nil	–

	As at 31 December		
	2022 RMB'000	2021 RMB'000	Changes Increase/ (decrease)
Liquidity and Gearing			
Current ratio (Note 1)	**2.31**	1.78	29.8%
Quick ratio (Note 2)	**1.32**	1.17	12.8%
Gearing ratio (Note 3)	**15.7%**	28.1%	(44.3)%

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%.

(4) Total profit before interest and taxation represents total profit before taxation and finance costs.

(5) Net profit after non-recurring profit or loss represents profit for the year excluding foreign exchange differences, net for the year, government grants, donation expenses, net gains or loss from disposal of property, plant and equipment, and those gains or loss not relating to the normal operation of the Group.

Dear Shareholders,

Thank you for your ongoing care, support and trust in Ximei Resources. On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I hereby take pride and pleasure in presenting the annual report of Ximei Resources Holding Limited for the year ended 31 December 2022 (the "**Year Under Review**") to our shareholders (the "**Shareholders**") and potential investors.

ANNUAL REVIEW AND OUTLOOK

2022 has been an extraordinary year marked by a stormy international environment, with the Russia-Ukraine conflict causing considerable turbulence in the international energy and financial sectors and creating an urgent need for development of renewable energy. In terms of pandemic, as Omicron spread to China in 2022, major cities in China adopted lockdown measures, leading to certain contraction in demand for downstream applications, with GDP indicators showing a sharp dip in April and a second bottom in the fourth quarter. However, in 2022, China's GDP still reached RMB121 trillion, rising to a new level and ranking second in the world, with a 3% increase over the last year based on constant prices. Despite the challenges in economic development, China managed to register a faster GDP growth rate than other major international economies in the past year, delivering an up-to-expected result and ushering in a new phase of high-quality development.

In 2022, the tantalum and niobium market witnessed high volatility and rapid changes. According to asianmetal.cn, as of 31 December 2022, the annual average ex-factory price of 99.5% ditantalum pentoxide in China rose by 29% year-on-year and the annual average ex-factory price of 99.5% diniobium pentoxide in China increased by 17% year-on-year. Meanwhile, due to the impact of the pandemic, the Federal Reserve continued to raise interest rates and the RMB exchange rate experienced significant fluctuations, which affected the Company's production and operation to a certain extent. However, in general, the downstream demand for tantalum and niobium will become increasingly robust in the future, benefiting from the development of new technologies in downstream sectors such as new energy, new generation communications and high-end equipment manufacturing, as well as the strengthening trend of import substitution.

Facing such tough situation, all staff of Ximei Resources rose to the challenges, made concerted efforts and strived hard to achieve excellent results in production and operation, project construction, new product research and development, market development and management improvement, thereby bringing the Company to a new development stage and laying a solid foundation for development and growth in the future. In terms of core financial data, in 2022, Ximei Resources recorded a total operating revenue of approximately RMB1,019.6 million, representing a year-on-year increase of 33.5%; a total profit before interest and taxation of approximately RMB145.1 million, representing a year-on-year increase of 11.3%; a profit for the year of approximately RMB107.5 million, representing a year-on-year increase of 5.3%; and net profit after non-recurring profit or loss of approximately RMB142.7 million, representing a year-on-year increase of 49.0%, with both total operating revenue and net profit for the year reaching record highs in the Group's history.

APPRECIATION

A good start is half the battle. To welcome a new year full of opportunities, we will get on the right track from the very beginning with diligence and hard work, seize strategic opportunities with firm belief and march forward with courage and perseverance to write a new chapter of high-quality development.

On behalf of the Board, I would like to express our sincere gratitude for the trust and support from all of our Shareholders and investors, customers 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 create better returns and highest values for our Shareholders.

Mr. Wu Lijue
Chairman of the Board

Hong Kong, 28 March 2023

MARKET AND INDUSTRY REVIEW

Tantalum and niobium are silver-white metals with high melting point, high strength, high corrosion resistance, good ductility, wear resistance, superconductivity and other advantages. Their related end products are widely used in semiconductor, high-end electronics, aerospace, defense and military, optical, medical and other fields. They are truly multifunctional metals. The general fields of application of tantalum and niobium are as follows:

Application fields	Examples
Tantalum capacitors	Tantalum capacitors are the best capacitors with high reliability and low failure rates, and are able to operate at as low as –55 degrees to as high as 200 degrees. They can withstand severe vibration forces and have a high electron storage capacity. More than half of the world's tantalum is used in capacitors.
Superalloy	High-temperature alloy is used to make engine components such as combustion chambers, combustion ducts and turbopumps for aerospace aircraft, rockets and submarines. For example, WC-103Nb-Hf-Ti high-temperature niobium-based alloy is a high-quality aerospace material, which is used in rocket accelerator nozzles, spacecraft propulsion boosters and nozzle valves as well as TOW2B missiles and tantalum-tungsten alloy armour-piercing bullets.
Sputtering targets for semiconductors	Tantalum-based targets are used for cathodic sputter coating, metal sputtering in the wafer fabrication process and as a coating for SMT soldering in the chip packaging process.
New energy batteries	Niobium pentoxide can be used as an additive for anodes in new energy lithium batteries; as an alternative material for cathodes in lithium batteries based on niobium-based oxides and niobium-based composite oxides such as niobium-titanium oxides, tin-niobium oxides and tungsten-niobium oxides; and as an additive for fuel cell carrier materials.
Niobium steel	The addition of 0.03% to 0.05% niobium in steel can increase the yield strength of steel by more than 30% and adjust the toughness level of steel. More than 80% of niobium is used in this field.

Application fields	Examples
Low-temperature superconducting materials	Nb-Ti alloys are currently the most widely used superconducting materials with the largest usage. For example, Nb47Ti is the preferred practical superconducting material for high-energy particle accelerators such as large hadron collider and heavy ion collider; Nb_3Sn is the second most popular practical superconducting material after Nb-Ti and is also used in superconducting magnetic energy storage and nuclear magnetic resonance imaging devices.
SAW filters	Ta_2O_5 and Nb_2O_5 are the raw materials for manufacturing crystals such as LT and LN, which are important piezoelectric, thermoelectric and non-linear optical materials and have important uses in technologies such as laser and microsound surface waveguide.
Cemented carbide	Cemented carbide is mainly used as cutters, tools, moulds and wear– and corrosion-resistant structural components, and the addition of TaC can improve their hardness, strength, melting point and other properties.
High-temperature and corrosion-resistant tantalum and niobium products	They can be used to make heating parts, heat insulation parts and feeding containers for high-temperature vacuum furnaces; and in the chemical industry, they can be used to make boilers, heaters, coolers and various containers and parts.
Biomedical	Tantalum and niobium metals are highly biocompatible, do not interact with liquids in the human body and barely damage biological tissues, and are used in manufacturing bone plates, cranial plate screws, dental implants, surgical appliances, vessel stents, etc.
Optical glass	Niobium pentoxide can be used to produce ultra-thin spectacle lenses with a high refractive index and other special lenses.

Sources: China Fortune Securities Research Department, Orient Securities Research Department and Ximei Resources

According to the research data of TIC and China Fortune Securities, tantalum resources are relatively abundant worldwide, mainly located in Australia, South America, Central Africa and Southeast Asia. The global proven reserves are approximately 320,000 tonnes and the basic reserves are close to 700,000 tonnes, where South Africa and Australia account for 40% and 21% of the total global resources respectively. Based on the current proven metal reserves, the global tantalum reserves have a static guarantee period of over 100 years based on the annual consumption of global tantalum resources in recent years, with sufficient tantalum reserves to fully meet the needs of long-term global economic development. In addition, according to the 2020 USGS statistics, the total global niobium mineral resources have exceeded 17 million tonnes, and niobium resources are mainly located in Brazil and Canada, with Brazil alone accounting for 91-94% of the world's reserves, followed by Canada, both of which produce 99% of the world's niobium metal.

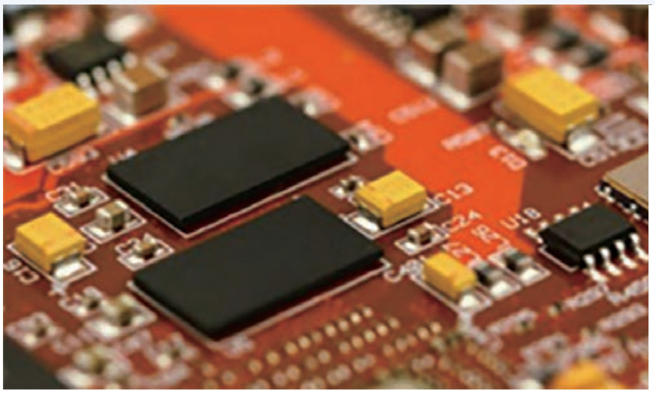
Tantalum and niobium refineries are mainly located in China, Brazil, Germany, Japan, Russia, Estonia, Kazakhstan, etc. China is the global leader in the supply of tantalum– and niobium-based products.

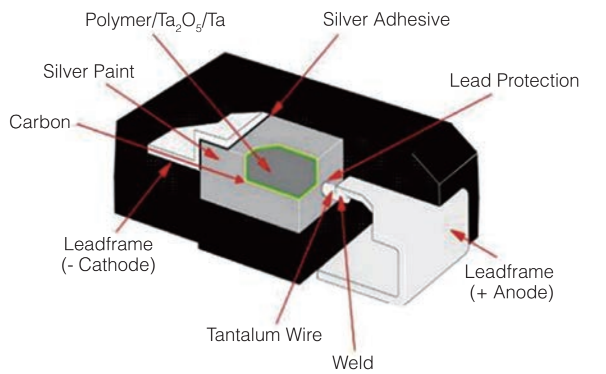
Huge scope of application for tantalum capacitors in civil and military fields

For end-use applications of tantalum, tantalum powder and tantalum wire are the key materials for making tantalum capacitors, with the usage accounting for nearly 50% of the total market share of tantalum metal. Tantalum capacitors are capacitors of the highest quality, with the advantages of small size, high capacity, low leakage current, long service life and excellent overall performance, and can function normally under many harsh conditions where other capacitors cannot perform. They are widely used in aviation, aerospace, satellites, missiles, radar and other fields, and are one of the indispensable electronic components for the digital, downsizing and intelligent development of highly reliable weaponry. According to the research report of Orient Securities, the downstream demand for capacitor-grade tantalum powder is growing rapidly, and it is estimated that the CAGR of total global demand for tantalum powder from 2021 to 2025 will reach 8.21%, and the total global demand for tantalum powder is expected to reach 2,945 tonnes in 2025. It is also expected that China's total demand for tantalum powder will register a CAGR of 4.51% from 2021 to 2025, with a total demand for 314 tonnes of tantalum powder in 2025, representing a market size of RMB8.1 billion. The tantalum capacitor industry will benefit from the trend of downsizing and intelligent development, and domestic products will gradually transform to high-end development. With the robust demand for new infrastructure such as base stations and servers from the upgrade of the 5G civil network and the cloud computing industry, tantalum capacitors will have greater scope of application in military and civil fields in the future, especially with large potential for import substitution.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Pictures: Tantalum capacitors on the circuit board (yellow) and their internal structure





Sources: TIC, Orient Securities Research Department, etc.

Chart: Forecast of demand for tantalum powder for tantalum capacitors globally and in China

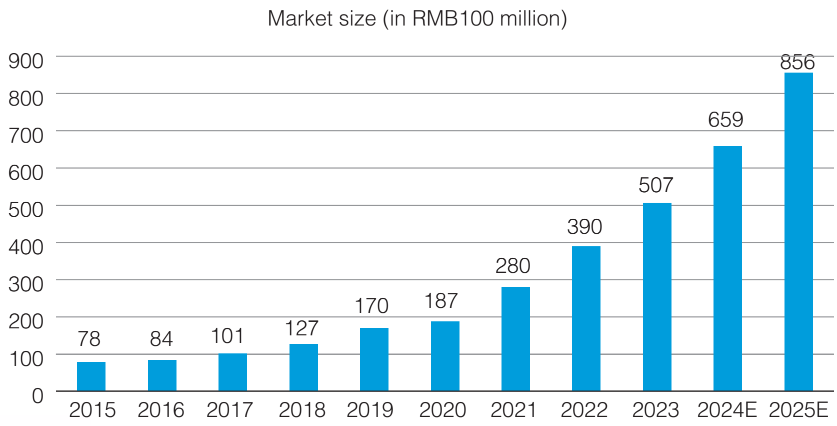
	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Global tantalum capacitor volume (hundred million units)	433.54	465.10	486.56	550.81	560.53	620.25	686.03	755.20
Year-on-year growth		7.28%	4.61%	13.20%	1.76%	10.65%	10.61%	10.08%
Global demand for tantalum powder (tonnes)	1,690.82	1,813.88	1,897.59	2,148.15	2,186.06	2,418.98	2,675.52	2,945.28
Year-on-year growth		7.28%	4.61%	13.20%	1.76%	10.65%	10.61%	10.08%
China's tantalum capacitor volume (hundred million units)	18.43	18.80	19.55	20.46	21.39	22.35	23.36	24.41
Year-on-year growth		1.97%	4.03%	4.66%	4.53%	4.49%	4.52%	4.47%
China's demand for tantalum powder (tonnes)	237.12	241.80	251.55	263.26	275.19	287.55	300.56	314.00
Year-on-year growth		1.97%	4.03%	4.66%	4.53%	4.49%	4.52%	4.47%

Sources: China Electronic Components Association Capacitor Division, Hongda Electronic Company Announcement, IDC, Progress and Prospects of China's Tantalum and Niobium Industry by He Jilin, Orient Securities

New tantalum and niobium high-temperature alloy materials continue to be benefited from the long-term robust military industry

High-temperature alloy is a class of metal materials that can work for a long time at temperatures above 600° C and under certain stresses, and is characterised by high temperature resistance, high stress resistance, surface stabilisation and high alloying, and is also known as superalloy, high-performance alloy or heat resistant alloy. Tantalum and niobium metals are part of the raw materials added to high-temperature alloy, which can help solid solution strengthening and precipitation hardening, resulting in satisfactory strength and corrosion resistance of high-temperature alloy. According to the research and analysis of Northeast Securities, high-temperature alloy can also be divided into iron-based high-temperature alloy, nickel-based high-temperature alloy, cobalt-based high-temperature alloy and tantalum-niobium high-temperature alloy, which are mainly used in military and civilian aircraft engines, aerospace rocket engines, gas turbines for aircraft carriers, gas turbines for civilian power generation, nuclear power, nuclear energy and other fields. High-temperature alloy components account for more than 40%-60% of the total weight of the engine, and over 80% of the high-temperature alloy is used for military purpose.

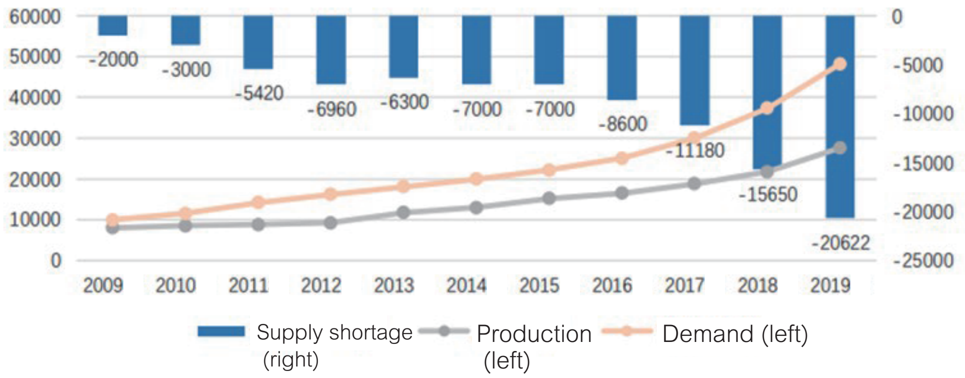
Chart: Forecast of high-temperature alloy market size in China



Source: Northeast Securities

China's demand for high-temperature alloy increased from 20,000 tonnes in 2014 to approximately 48,000 tonnes in 2019, representing a CAGR of approximately 19.2%, showing an overall strong growth trend. 40%-50% of China's demand for high-temperature alloy relies on import. In view of the production and sales gap, China's high-temperature alloy has experienced rapid development in recent years driven by downstream demand, and the market has huge potential for demand growth and import substitution. According to the analysis data of Galaxy Securities, it is expected that the total annual average demand of high-temperature alloy in China will be approximately 58,000 tonnes in the future, representing a huge market space.

Production and demand for high-temperature alloy in China



Source: Intelligence Research Group

Chart: Forecast of China's main demand for high-temperature alloy in various sectors (by weight)

Sector	Major assumptions	Demand in the next ten years	Annual average demand (tonnes)
Military aircraft engines	Assuming an average demand of 4.25 tonnes of high-temperature alloy for each engine	Demand of 118,000 tonnes over the next 10 years	11,805
Military aircraft engines	Assuming that China receives a total of 9,000 aircrafts in the next 20 years, 20% of which are domestically produced Assuming 1.5 tonnes of high-temperature components per engine and a 30% yield rate	Demand of 25,400 tonnes over the next 20 years	1,271
Civil aircraft engines	Assuming a minimum of 80 space launches per year over the next 10 years Assuming that high-temperature alloy components account for 25% of the weight of a single rocket	Demand of 76 million tonnes over the next 10 years	760

Sector	Major assumptions	Demand in the next ten years	Annual average demand (tonnes)
Gas turbines for industrial power generation	Assuming that a single gas turbine can generate 30 MW of electricity Assuming 400 new units installed per year	Demand of 120,000 tonnes during the "14th Five-Year" period	24,000
Gas turbines for pipeline pressure boosting	Assuming one pressure station for every 100-200 km of natural gas pipeline, with an average of two gas turbines per station	Demand of 42,000 tonnes during the "14th Five-Year Plan" period	8,400
Gas turbines for military vessels	Assuming an average of 3 gas turbines per vessel Assuming 50% of the vessels use gas turbines	–	1,260
Nuclear power construction	Assuming that a 1 GW nuclear power plant consumes 500 tonnes of high-temperature alloy	Demand of 12,096 tonnes of high-temperature alloy in 2022-2025; demand of 20,105 tonnes of high-temperature alloy during the "15th Five-Year Plan" period	3,024
Automobile	Assuming a 3% growth rate in total vehicle production in the future and increasing percentage of new energy vehicles	Demand of 30,600 tonnes of high-temperature alloy for commercial vehicles from 2022-2025, decreasing year by year	7,655
Total	–	–	58,175

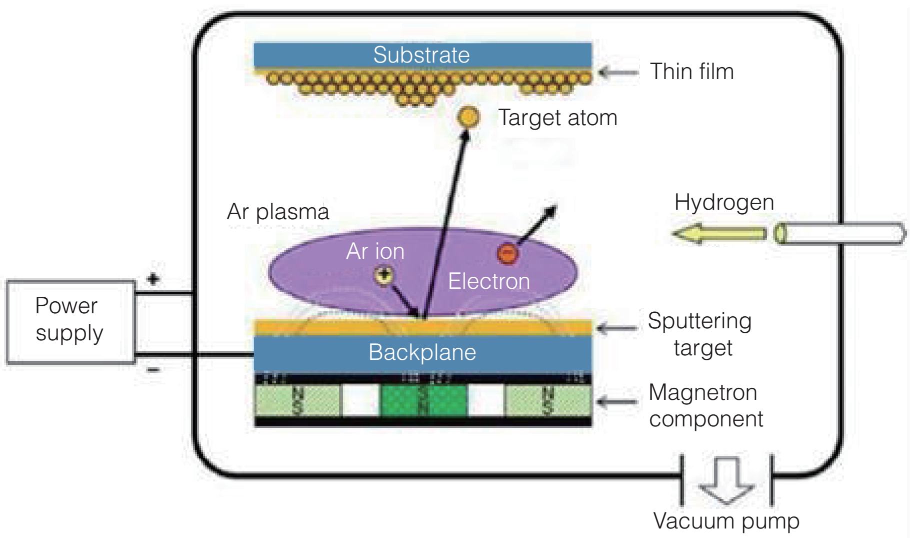
Source: China Galaxy Securities Research Institute

During the "14th Five-Year Plan" period, the strategic window period of China's weapons and equipment development, China's national defense policy changed from the "steady advancement towards the goal of a strong military" to "war-ready capability building", and national defense development will usher in a new round of accelerated growth, boosting the upstream and downstream industries. China's national defense budget for 2022 increased by 7.1% year-on-year. In the past 10 years, China's national defense expenditure has been growing at a rate of not less than 5% year-on-year. The national defense budget for 2022 is RMB1,476,081 million (including RMB1,450,450 million at the central government level), an increase of 7.1% over the budget implementation of the previous year. From 2017 to 2021, the US defense costs accounted for 3.07%, 3.07%, 3.2%, 3.41% and 3.32% of its GDP respectively, while China's defense costs only accounted for 1.25%, 1.23%, 1.23%, 1.27% and 1.19% of its GDP respectively. Under the background of "strengthening the army with information technology" and military reform, it is expected that China's military expenditure will have large growth potential. The military industry will remain robust for a long term, thereby continuously benefiting high-temperature alloy and other relevant new material industries.

Robust demand for semiconductor chips leading to favourable prospect for high-end tantalum target market

The production process of semiconductor chips can be divided into three major stages: silicon wafer manufacturing, wafer fabrication and chip packaging. High-purity sputtering targets are mainly used for metal sputtering in the "wafer fabrication" stage and as a coating for SMT soldering in the "chip packaging" stage. Ultra-high-purity tantalum is the barrier film material in the advanced copper process for ultra-large-scale integrated circuit chips. Tantalum and tantalum rings are the necessary barrier film material for the advanced 90-5nm process, as they are used in the most advanced chip manufacturing processes, and tantalum targets and their rings are the most technologically challenging high-end products to manufacture and require the highest quality consistency.

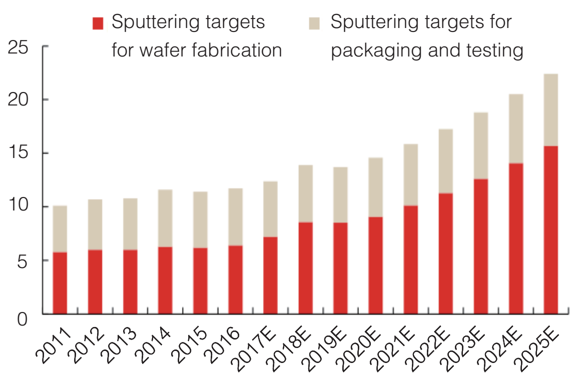
Figure: Sputtering target principle: high-energy ion beam bombardment to form a coating after sputtering

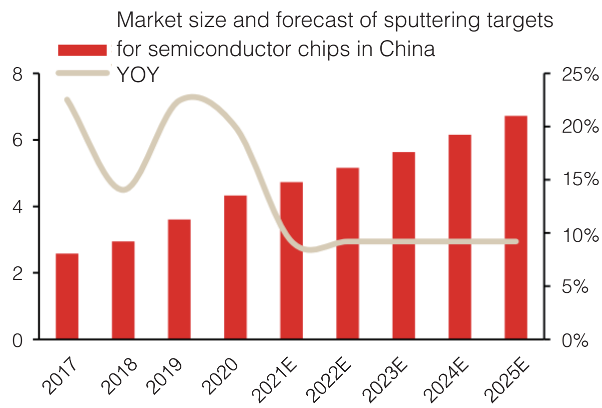


Source: Research Progress in Preparation Technology and Application of Tungsten-Silicon Thin Films for Semiconductors

Benefiting from the highly prosperous semiconductor industry, the global semiconductor target material market is growing rapidly. According to the analysis of Orient Securities, it is expected that the global semiconductor target market size will reach US$2.24 billion in 2025, while the semiconductor industry will accelerate the transfer to China. In particular, various foundry companies, including TSMC and UMC, will set up production lines in mainland China, and mainland foundries, including SMIC and Huali Microelectronics, will also put a number of production lines into operation. According to the data of MIR, China's semiconductor target market size amounted to approximately RMB2.986 billion (equivalent to US$433 million) in 2020, representing a CAGR of approximately 16.15% from 2013 to 2020. It is expected that China's semiconductor target market size will reach approximately US$670 million in 2025, and the growth rate of China's target demand may reach 9.2% from 2021 to 2025. In particular, the demand for copper and tantalum targets has good growth prospects.

Charts: Forecast of semiconductor target market size globally and in China by 2025





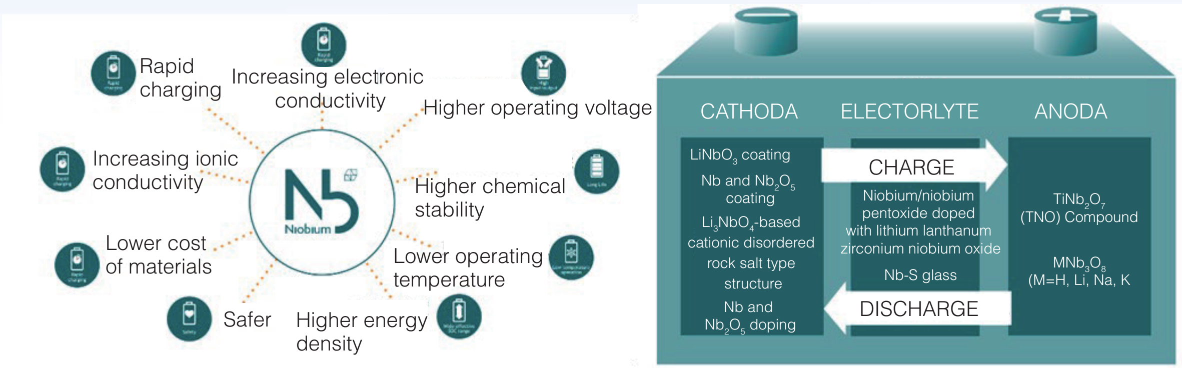
Sources: Acetron, Jiangfeng Electronics, China Electronics Materials Industry Association, MIR, SEMI, Frost & Sullivan, wind, Orient Securities

New energy battery market

The lithium battery chain consists of four major materials: anode materials, cathode materials, electrolytes and separators. Niobium currently performs well in anode materials, cathode materials and electrolytes. As an anode doping material, niobium pentoxide is added to lithium manganate to modify the anode material for high-nickel ternary batteries at a rate of 3-10‰ to improve electronic conductivity and stability. As an alternative to cathode materials, CBMM and Toshiba have each developed SCIB lithium batteries with niobium-titanium oxide (NTO) as the cathode, enabling 10-minute fast charging, eliminating the risks of fire and explosion, and extending the current lifetime up to five times. In electrolyte applications, niobium as a doping element can be used as a solid-state electrolyte, which is expected to achieve a breakthrough in solid-state battery technology and overcome the problems of electrode corrosion and volatility of traditional liquid electrolytes.

According to the market research data of Beijing XYZ Research, the global lithium battery market size was approximately US$40.5 billion in 2020 and US$41.1 billion in 2021, and XYZ Research estimates that the global lithium battery market size will reach US$92 billion in 2026 with a CAGR of 14.6%. In addition, given the steady growth in market size of consumer and energy storage batteries and the breakthroughs in research and development of new applications of niobium in sodium ion batteries and fuel cells, niobium will have a significant and non-negligible market share for the future of the new energy industry, especially in high-end applications.

Charts: Application of niobium in lithium batteries



Source: Ximei Resources

Other relevant industries

With its good physical and mechanical properties and biocompatibility, tantalum has become another new biomedical material after titanium and is widely used in medical applications. After implantation, biological tissues can easily grow on the surface of tantalum material, which has a high bonding performance with natural bones, is non-toxic and harmless to the human body, and is resistant to corrosion without the need for further removal, earning it the name of "bio-friendly metal". Tantalum metal is widely used in medical-related fields such as dental implant placement, treatment of femoral head necrosis, coronary artery stent placement, prosthetic acetabular implant and surgical suture production. At present, the domestically produced tantalum-coated femoral stem has been marketed, breaking the monopoly of foreign companies in the field of tantalum metal prosthesis and significantly reducing the cost of use for patients, and 3D printed orthopaedic acetabular products containing tantalum metal have entered the national centralized procurement system. According to Orient Securities, the global orthopaedic consumables market is expected to reach RMB343.4 billion in 2025 with a CAGR of 7.21%, of which China's medical consumables market is expected to reach RMB50.5 billion in 2023 with a year-on-year growth rate of 14%, outperforming the global trend.

In addition, niobium is the preferred element for manufacturing superconducting materials. Superconducting materials are divided into high-temperature superconducting materials and low-temperature superconducting materials. At present, the superconducting industry is dominated by low-temperature superconducting materials, which account for approximately 96% of the market. Nb3Sn and NbTi are important low-temperature superconducting materials. In addition, the niobium RF superconducting cavity is a key component in the new generation of particle accelerators. Particle accelerators with niobium superconducting cavities are characterized by good operational stability, high average flow strength, high acceleration gradients, low losses and low operating costs. Various particle accelerators are currently under construction in China, which will create considerable demand.

Tantalum and niobium are the fundamental metals of microelectronic materials, national strategic metals and indispensable necessities for electronics, automobile, military and other industries. In the long term, with the rapid growth of downstream demand and the trend of domestic substitution, the tantalum and niobium metal industry chain will have a positive long-term outlook.

BUSINESS REVIEW

Outstanding performance in production and operation

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

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

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

Breakthrough in project construction

In 2022, the Group seized the market opportunity to further extend its industrial chain and build an integrated industrial system. It made investment in the "Project of Green Production of High-performance Tantalum and Niobium Oxide with an Annual Capacity of 3,000 Tonnes", a new project of Ximei Leizhou, to further increase the production capacity of hydrometallurgical projects. Meanwhile, by leveraging on internal business synergies to seize the market opportunity of production substitution in China, the Group planned and established the "Project of Production of High-purity and High-performance Tantalum– and Niobium-based New Materials with an Annual Capacity of 1,500 Tonnes" in Guizhou and invested in the new "Project of High-end Production of Tantalum– and Niobium-based New Metal Materials with an Annual Capacity of 1,100 Tonnes" of Ximei Guiyang during the reporting period, in which Ximei Guizhou realized stable production and production expansion in the same year. Since then, the Group's integrated industrial system has taken shape with the ability to supply high-end tantalum– and niobium-based metals. As of the end of the reporting period, the Group had a total effective hydrometallurgical production capacity of 2,000 tonnes, including 1,600 tonnes of niobium pentoxide and 400 tonnes of tantalum pentoxide, and a total effective pyrometallurgical production capacity of 1,020 tonnes, including 100 tonnes of tantalum powder, 50 tonnes of lithium tantalate, 120 tonnes of tantalum-based metal products and 750 tonnes of niobium-based metal products.

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

Development driven by technological research and development

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

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

Outstanding results in management optimization

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

Diversified financing channels

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

FINANCIAL REVIEW

Revenue

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

	For the year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Sales of manufacturing goods	**777,554**	**76.3%**	597,371	78.2%
Sales of trading goods	**154,762**	**15.1%**	87,246	11.4%
Provision of processing services	**87,284**	**8.6%**	79,108	10.4%
Total revenue	**1,019,600**	**100.0%**	763,725	100.0%

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

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

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

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

Pentoxide Products

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

Potassium Heptafluorotantalate

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

Tantalum Metal Products

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

Niobium Metal Products

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

Recycled Products

During the Year Under Review, our recycled products sold mainly included three types of products produced by recycling our waste materials, namely tin hydroxide, potassium hepta fluorosilicate and tungsten acid. The increase in revenue generated from sales of recycled products from the year ended 31 December 2021 of approximately RMB16.2 million to the Year Under Review of approximately RMB23.2 million was primarily because we sold more tin hydroxide, potassium hepta fluorosilicate and tungsten acid for the Year Under Review as comparing to that of the year ended 31 December 2021.

Others

For the Year Under Review, our revenue generated from sale of others amounted to approximately RMB160.6 million, representing an increase of approximately RMB77.1 million or 92.3% from approximately RMB83.5 million for the year ended 31 December 2021. Such increase was mainly due to the increase in sales of trading goods during the Year Under Review.

Cost of sales

Cost of sales represented the direct costs of production, which comprised raw materials costs, factory overheads, electricity and fuels costs, labour costs and processing fee in respect of our processed products. For the two years ended 31 December 2022 and 2021, our cost of sales amounted to approximately RMB713.7 million and RMB558.2 million, respectively. The following table sets forth the breakdown of our cost of sales for the years indicated:

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

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

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

Gross profit and gross profit margin

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

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

Other income and (loss)/gains, net

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

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

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

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

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

Selling and distribution expenses

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

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Distribution costs	3,211	38.7%	3,148	24.7%
Staff costs	2,526	30.5%	6,353	49.9%
Consultation fees	1,543	18.6%	2,224	17.5%
Travelling and entertainment expenses	370	4.5%	458	3.6%
Advertising and promotion expenses	1	0.1%	37	0.3%
Office expenses	69	0.8%	76	0.6%
Others	567	6.8%	423	3.4%
Total selling and distribution expenses	8,287	100.0%	12,719	100.0%

The Group's selling and distribution expenses decreased by approximately RMB4.4 million or 34.6% from approximately RMB12.7 million for the year ended 31 December 2021 to approximately RMB8.3 million for the Year Under Review. Such decrease was mainly attributable to the decrease in staff costs of approximately RMB3.9 million.

Administrative expenses

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

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Research and development expenses	47,642	40.1%	29,762	35.6%
Staff costs	30,437	25.6%	26,932	32.2%
Other tax expenses	3,040	2.6%	3,005	3.6%
Legal advisory and professional fees	3,881	3.3%	4,042	4.8%
Depreciation and amortisation	7,139	6.0%	5,460	6.5%
Travelling and entertainment expenses	2,190	1.8%	1,149	1.4%
Bank charges	3,693	3.1%	1,775	2.1%
Others *(Note)*	20,739	17.5%	11,540	13.8%
Total administrative expenses	118,761	100.0%	83,665	100.0%

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

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

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

Finance costs

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

	For the year ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Finance costs on interest-bearing bank borrowings	**20,831**	13,215
Interest on lease liabilities	**2,347**	445
Less: interest capitalised	**(2,210)**	(1,878)
Total net finance costs	**20,968**	11,782

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

Income tax expense

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

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

Profit for the year

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

Profit attributable to owners of the Company

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

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

Property, plant and equipment

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

The carrying amount of our property, plant and equipment increased by approximately RMB139.3 million from approximately RMB164.8 million as at 31 December 2021 to approximately RMB304.1 million as at 31 December 2022. Such increase was mainly driven by the continuous expansion of production facilities of pyrometallurgical products of the Group.

Right-of-use assets

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

Inventories

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

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

Notes:

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

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

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

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

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

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

Our average inventory turnover days increased from approximately 171.6 days for the year ended 31 December 2021 to 196.1 days for the Year Under Review. The increase was mainly due to the increase of our average inventories for the year ended 31 December 2022.

Trade and bills receivables

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables	**164,895**	103,528
Less: Impairment	**(676)**	(992)
	164,219	102,536
Bills receivable	**72,309**	27,586
Total trade and bills receivables	**236,528**	130,122
Average trade and bills receivables *(Note 1)*	**183,325**	140,296
Average trade and bills receivables to total revenue *(Note 2)*	**18.0%**	18.4%

Notes:

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

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

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

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

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

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The expected credit loss for trade receivables as at 31 December 2022 and 2021 was approximately RMB0.7 million and RMB1.0 million, respectively. The following table sets forth the average turnover days of our trade and bills receivables for the years indicated:

	For the year ended 31 December	
	2022 (Days)	2021 (Days)
Average turnover days of trade and bills receivables *(Note)*	**65.6**	67.1

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

Our average turnover days of trade and bills receivables decreased from 67.1 days for the year ended 31 December 2021 to 65.6 days for the Year Under Review. The decrease was mainly due to the increase of our sales revenue for the year ended 31 December 2022.

Prepayments, deposits and other receivables

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

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Prepayments – Non-current	**66,627**	68,520
Deposit – Non-current	**22,000**	8,000
	88,627	76,520
Prepayments – Current	**116,372**	139,602
Deposits and other receivables – Current	**5,937**	54,911
	122,309	194,513
Total prepayments, deposits and other receivables	**210,936**	271,033

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

Trade payables

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

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

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

	As at 31 December	
	2022 (Days)	2021 (Days)
Average turnover days of trade payables *(Note)*	**25.6**	6.5

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

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

Other payables and accruals

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

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

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

Bank borrowings

Bank borrowings were our principal component of our total liabilities, constituting approximately 69.2% and 75.1% of our total liabilities as at 31 December 2022 and 31 December 2021, respectively. The following table sets forth the breakdown of our bank borrowings by current and non-current classification as at balance sheet dates indicated:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Non-current	**167,445**	19,824
Current	**315,097**	325,301
Total bank borrowings	**482,542**	345,125

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Secured	**57,024**	83,817
Unsecured	**425,518**	261,308
Total bank borrowings	**482,542**	345,125

As at 31 December 2022, our bank borrowings were secured by the pledge of certain of our Group's leasehold land, and property, plant and equipment with net carrying amounts of approximately RMB20.5 million (31 December 2021: RMB21.0 million) and RMB47.6 million (31 December 2021: RMB25.2 million), respectively.

Our total bank borrowings increased from approximately RMB345.1 million as at 31 December 2021 to approximately RMB482.5 million as at 31 December 2022. Such increase was mainly due to the drawing down of new bank loans to support the expansion of pyrometallurgical production lines of tantalum – and niobium-based metal products during the Year Under Review.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

During the Year Under Review, we financed our operations by cash generated from operating activities and bank borrowings. As at 31 December 2022, we had cash and cash equivalents of approximately RMB325.4 million (31 December 2021: approximately RMB169.9 million). In the future, we intend to finance our operations by cash generated from operating activities, bank borrowings and proceeds from the listing of our Company on the Main Board of The Stock Exchange 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 increased by approximately RMB155.5 million, which mainly comprised the net cash flows used in operating activities with the amount of approximately RMB42.3 million, net cash flows used in investing activities with the amount of approximately RMB168.4 million, net cash flows generated from financing activities with the amount of approximately RMB355.7 million, and the foreign exchange gains of approximately RMB10.5 million. The cash flows details of the Group are set out in pages 83 to 84 under "Consolidated Statement of Cash Flows" of this report.

CAPITAL STRUCTURE

Indebtedness

The total indebtedness of the Group as at 31 December 2022 was approximately RMB515.4 million (31 December 2021: approximately RMB374.4 million). During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

As at 31 December 2022, the Group's gearing ratio was approximately 15.7% (31 December 2021: 28.1%), calculated as the total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of the relevant year multiplied by 100%. The decrease was mainly due to an increase in equity financing during the Year Under Review.

Pledge of assets

As at 31 December 2022, our bank borrowings were secured by the pledge of certain of our Group's leasehold land, and property, plant and equipment with net carrying amounts of approximately RMB20.5 million (31 December 2021: RMB21.0 million) and RMB47.6 million (31 December 2021: RMB25.2 million), respectively.

Capital expenditures

Our capital expenditures primarily comprised expenditures for purchases of property, plant and equipment. Our capital expenditures amounted to approximately RMB156.7 million and RMB83.6 million for the Year Under Review and the year ended 31 December 2021, respectively.

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

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

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

CAPITAL COMMITMENT

As at 31 December 2022, the Group had capital commitment of approximately RMB155.8 million (31 December 2021: approximately RMB144.9 million).

SEGMENT INFORMATION

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

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2022, the Group had not made any material acquisition or disposal.

SIGNIFICANT INVESTMENTS

The Company had not held any significant investments during the year ended 31 December 2022.

FUTURE 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 37 to 39 of this report.

FUTURE OUTLOOK

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

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

HUMAN RESOURCES AND TRAINING

We believe that our long-term growth depends on the expertise and experience of our employees. We primarily recruit our personnel through campus recruiting, career fairs, recruitment websites and internal recommendation. We provide regular training programs to our employees, including, among others, introductory training, safety training and technical training, to enhance their skills and knowledge. As at 31 December 2022, the Group had a total of 550 employees (2021: 328 employees), total staff cost for the Year Under Review amounted to approximately RMB62.6 million (2021: approximately RMB55.6 million).

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

DIVIDENDS

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2022 (2021: Nil).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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 2023:

(1) Solidly promote project construction

We will adhere to the integrated production layout, maintain our high-quality positioning, stay ahead of our peers in terms of investment in equipment and technology, and deeply promote the construction of new and expansion projects of hydrometallurgical and pyrometallurgical processes to ensure that the investment projects will be completed and put into production as planned, and that the projects will reach desired performance in terms of production capacity, standards and efficiency shortly after they are put into production, thereby achieving long-term benefits and development for the Company.

(2) Put great efforts in production and operation

We will strictly maintain production safety, continuously optimise existing processes and equipment, and strive for new breakthroughs in production capacity, quality and cost through technological innovation. We will properly build, coordinate and ensure the safe storage of raw materials, continue to consolidate long-term and stable trading partnerships with suppliers, gradually develop new supply channels, and actively explore our own overseas resources and establish flexible and diversified strategic partnerships with upstream and downstream enterprise. We will also adhere to the philosophy of "prioritizing customers", strengthen the synergy between production and sales, and flexibly adjust our sales strategy to develop key strategic customers and secure access to new markets.

(3) Improve the management quality

We will persist in innovation-driven production and establish major research and development projects to address the possibility of technological breakthroughs in existing processes and products. We will also improve the “Micro Innovation” and “Challenge the Impossible” management models, clarify the responsibilities of management of each Group company, rationalise management relationships, improve workflow, further enhance the Group’s financial management, performance management, talent development strategy and investor relations management capabilities, and accelerate the comprehensive improvement of management quality to empower the organisation.

(4) Strengthen the development of talent pool

Talent pool development is the primary resource to support corporate development. As such, we will establish talent cultivation strategies at all levels, improve the talent assessment and evaluation mechanism, optimise the talent motivation mechanism, stimulate the initiative and creativity of our employees, and ultimately build a management platform for co-creation, mutual benefit and sharing to become a respectable enterprise.

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 2022, the Group had used net proceeds of approximately RMB87.8 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 2022:

	%	Planned use of proceeds as disclosed in the Prospectus (RMB million)	Actual utilised amount as at 31 December 2022 (RMB million)	Unutilised amount as at 31 December 2022 (RMB million)
Construction of new production facilities to produce tantalum powder and bars	28.9%	26.8	26.8	–
Acquisition and installing of machinery and equipment to produce tantalum powder and bars	36.0%	33.4	33.4	–
Other expense for setting up the new production facilities	3.9%	3.6	3.6	–
Financing five research and development projects	17.9%	16.6	13.6	3.0
Strengthening the sales network in Europe and sourcing channels in Brazil	3.5%	3.2	1.3	1.9
General working capital	9.8%	9.1	9.1	–
Total	100.0%	92.7	87.8	4.9

The unutilised amount of net proceeds of approximately RMB4.9 million is expected to be completely utilised by August 2023.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

DIRECTORS

Executive Directors

Mr. Wu Lijue (吳理覺), aged 59, is the founder and controlling shareholder of our Group, the chairman of our Board, an executive Director and our chief executive officer. He was appointed as a Director on 26 May 2017, and is currently responsible for our Group's strategic planning and overall operation, and management of our Board. Mr. Wu has over 30 years of experience in the tantalum and niobium metallurgy industry. Mr. Wu is currently also the director of certain companies in which the Group has share interests, including certain subsidiary companies of the Company.

Mr. Wu obtained his bachelor's degree in powder metallurgy from Central South University (中南大學) in 1984, obtained his EMBA degree from the School of Management of Sun Yat-sen University (中山大學) in 2011, and is a senior engineer. Mr. Wu is also the vice president of the Tantalum and Niobium Division and rotating president of the Cobalt Division of the China Nonferrous Metals Industry Association, an outstanding entrepreneur of Guangdong Province, the 5th Session of Outstanding Constructor of Socialism with Chinese Characteristics among Non-public Economic Personnel of Guangdong Province, the executive committee member of the 7th Executive Committee of the Qingyuan Federation of Industry and Commerce, and the vice chairman of the Qingyuan Federation of Industry and Commerce, and has won many awards such as an outstanding individual for "Poverty Alleviation".

As at the date of this report, Mr. Wu was interested in 205,000,000 shares of the Company, representing 56.94% 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 were held by Jiawei Resources Seychelles, which was wholly owned by Mr. Wu. Mr. Wu is the uncle of Ms. Wu Shuangzhu, the controller of corporate department of our Group.

Ms. Wu Shandan (吳珊丹), aged 40, 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 10 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. Ms. Wu resigned as an executive Director and the chief financial officer of the Company on 15 April 2022.

Mr. Mao Zili (毛自力), aged 58, has joined the Group as its vice-president since May 2022 and is mainly responsible for developing new projects, strategic investment and other relevant works of the Group. Mr. Mao was appointed as an executive Director on 2 September 2022. He is also a director of certain subsidiary companies of the Company. Mr. Mao obtained his doctoral degree in science at the Institute of Physics, Chinese Academy of Sciences* (中國科學院物理研究所) in 1992. Between 1996 and 2000, he was a post-doctoral fellow at the Institute of Optics, Technical University of Berlin*, during which he was awarded the Humboldt Research Fellowship*, a world-renowned scholarship for international post-doctoral students in Germany. In 1993, he was hired as an associate professor of Beihang University (北京航空航天大學) and the deputy director of the optical information laboratory in Beihang University (北京航空航天大學光信息研究室). Mr. Mao has over 20 years of experience in investment and management. Prior to joining the Group, in 2003, he joined the Macrolink Group (新華聯集團), which was one of the "Top 500 Enterprises of China" (中國企業500強) and served at various positions within the Macrolink Group including the positions as the strategic investment director of Macrolink Group, a director of Macrolink Group, the senior assistant president of Macrolink Group, the general manager of Macrolink Mining Co., Ltd.* (新華聯礦業有限公司), and the general manager of Beijing Macrolink Industrial Investment Co., Ltd.* (北京新華聯產業投資有限公司).

Non-executive Director

Ms. Ouyang Ming (歐陽明), aged 48, was appointed as a non-executive Director on 2 September 2022. Ms. Ouyang is currently the vice-president of Ganfeng Lithium, a joint stock company established in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 002460) and the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1772). She is mainly responsible for administrative, investment and labour union matters in Ganfeng Lithium. Ms. Ouyang has over 15 years of experience in administration and compliance matters. She joined Ganfeng Lithium in January 2002 and has served at several positions since then. She also currently serves as a director in a number of companies in which Ganfeng Lithium has equity interests, including certain subsidiaries of Ganfeng Lithium. She has been a director of Dalian Yike Energy Technology Co., Ltd.* (大連伊科能源科技有限公司) since October 2016, a director of Zhejiang Shaxing Technology Co., Ltd.* (浙江沙星科技有限公司) since March 2019, a director of Ganzhou Tengyuan Cobalt New Material Co., Ltd.* (贛州騰遠鈷業新材料股份有限公司) since August 2020 and a director of Jiangxi Ganfeng LiEnergy Technology Co., Ltd.* (江西贛鋒鋰電科技股份有限公司) since November 2021. Ms. Ouyang obtained her certificate of secretary of board of directors from the Shenzhen Stock Exchange in December 2013. She majored in accounting and graduated from the Central Radio and Television University (中央廣播電視大學) in the PRC in July 2007.

Independent Non-executive Directors

Mr. Lau Kwok Fai Patrick (劉國煇), HKICPA, FCCA, aged 50, 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 20 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. He served a senior management position in many companies which were listed on the Main Board of the Stock Exchange.

Mr. Lau was 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 FDB Holdings Limited (formerly known as Steering 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 55, was appointed as an independent non-executive Director on 19 February 2020. Mr. Zhong graduated from Central South University (中南大學) with a bachelor's degree 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 20 years of experience in the research and development of the non-ferrous metal industry. Mr. Zhong currently serves as a professor at the College of Metallurgy and Environment, Central South University (中南大學冶金與環境學院).

Mr. Yin Fusheng (尹福生), aged 58, was appointed as an independent non-executive Director on 19 February 2020. Mr. Yin obtained his bachelor of laws degree from Central China Normal University (華中師範大學) in 1987. He obtained his master's degree and doctor's degree in economics from Wuhan University (武漢大學) in August 1993 and December 2004, respectively. Mr. Yin has over 20 years of experience in finance and investment. He currently serves as an associate professor at Jinan University (暨南大學).

SENIOR MANAGEMENT

Ms. Huang Jieli (黃潔莉), aged 44, joined our Group in December 2022. She used to serve as the director of international business department of Guangdong Zhiyuan New Material Co., Ltd. (the predecessor of Ximei Resources (Guangdong) Limited), and the vice president and director of international business department of Guangdong Jiana Energy Technology Co., Ltd. She currently serves as the vice president of our Group and is mainly responsible for business management of our Company. Ms. Wang graduated from Guangdong University of Foreign Studies majoring in English, and has nearly 20 years of experience in marketing, global key account development and corporate business management.

Mr. Zheng Shang Hua (鄭上華), aged 38, 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 the Group's 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.

Ms. Wu Shuangzhu (吳雙珠), aged 38, 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 18 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 61, 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 28 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 REPORT

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' continuous professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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 six Directors, being two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Wu Lijue and Mr. Mao Zili, served as executive Directors, Ms. Ouyang Ming served as a non-executive Director, and Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Mr. Yin Fusheng served as independent non-executive Directors as at 31 December 2022. 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 qualifications 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 at 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 article 83(3) of the articles of association of the Company (the "**Articles of Association**"), the Board shall have power to appoint a Director whose appointment shall only be until the first annual general meeting after his/her appointment but then be eligible for re-election. Besides, pursuant to article 84(1) of the Articles of Association, one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Further, pursuant to article 84(2) of the Articles of Association, any Director appointed by the Board pursuant to article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, Mr. Mao Zili, Ms. Ouyang Ming, Mr. Zhong Hui and Mr. Yin Fusheng shall retire at the forthcoming annual general meeting. The retiring Directors, all being eligible, offer themselves for re-election.

RESPONSIBILITIES OF THE BOARD

All 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 is 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 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 NON-EXECUTIVE DIRECTOR

Ms. Ouyang Ming, the non-executive Director, has been appointed for a term of three years commencing from 2 September 2022 and is subject to retirement by rotation and re-election in accordance with the Articles of Association.

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 independence to the Company. Specific enquiry has been made to each of the independent non-executive Directors 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 him not to be independent as contemplated under the Listing Rules. In addition, the Board is committed to reviewing and assessing the Directors' independence annually in order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, for example, by reviewing the proportion of independent non-executive Directors on the Board and the Board committees, regularly evaluating the independence of all non-executive Directors, striving to ensure that all Directors have equal opportunities and channels to communicate and express their independent views and opinions to the Board and the Board committees. Up to the date of this report, no independent non-executive Director has served the Company for 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 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 records 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 2022 and accounting principles and practices adopted for the Group, as well as the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit functions for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this annual report complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

Remuneration Committee

We established a remuneration committee on 19 February 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules. The terms of reference were updated on 30 December 2022, in accordance with the prevailing provision of the CG Code.

Our remuneration committee has three members, namely Mr. Yin Fusheng, Mr. Zhong Hui and Mr. Lau Kwok Fai Patrick, all of whom 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; (iii) making recommendations to our Board on the remuneration packages of Directors and senior management; (iv) assessing performance of executive Directors; (v) approving the terms of executive Directors' service contracts; and (vi) reviewing and/or approving matters relating to share schemes under chapter 17 of the Listing Rules.

During the Year Under Review, the remuneration committee had held three meetings and all the members attended the meetings. The attendance records 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 established a nomination committee on 19 February 2020 with written terms of reference in compliance with the code provisions of the CG Code 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 three meetings and all the members attended the meetings. The attendance records 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 considered 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 E.1.5 of the CG Code, the remuneration of members of the senior management by band for the year ended 31 December 2022 is set out below:

	Number of members of senior management
Nil to RMB1,000,000	3
Over RMB1,000,000	–

Details of the remuneration of each Director for the year ended 31 December 2022 are set out in Note 10 to the Financial Statements for the year ended 31 December 2022.

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 six Directors, including one female Director and five male Directors as at the date of this report. Our Directors aged between late-forty and mid-sixty 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 Company considers that the composition of the current Board satisfies the Board Diversity Policy. The Company will continue to take gender diversity into consideration during recruitment and increase the female proportion at all levels over time with the ultimate goal of achieving gender parity, such that there is a pipeline of female senior management and potential successors to the Board in the future. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. We planned to identify female candidates and appoint at least one more female director on the Board within three years.

As at 31 December 2022, the Group employed a total of 550 full time employees. The gender ratio in the workforce was as follows:

Overall male to female ratio	Male 81.5%; Female 18.5%
By rank and gender:	
Senior management	Male 66.7%; Female 33.3%
Middle management	Male 78.0%; Female 22.0%
General and technical staff	Male 82.4%; Female 17.6%

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 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 Mr. Wu Lijue, Mr. Mao Zili, Ms. Ouyang Ming, Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Mr. Yin Fusheng during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices. In August 2022, 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 2022 are as follows:

Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Wu Lijue *(Chairman)*	11/11	–	–	3/3	2/2
Ms. Wu Shandan (resigned on 15 April 2022)	1/11	–	–	–	–
Mr. Mao Zili (appointed on 2 September 2022)	3/11	–	–	–	1/2
Non-executive Director					
Ms. Ouyang Ming (appointed on 2 September 2022)	3/11	–	–	–	–
Independent Non-executive Directors					
Mr. Lau Kwok Fai Patrick	11/11	2/2	3/3	–	2/2
Mr. Zhong Hui	11/11	2/2	3/3	3/3	2/2
Mr. Yin Fusheng	11/11	2/2	3/3	3/3	2/2

Subsequent to the year ended 31 December 2022 and up to date of this report, the Board held another Board meeting in March 2023 for the main purposes of approving the annual results of the Group for the year ended 31 December 2022 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, and can only provide reasonable and not absolute assurance against material misstatement or loss. 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.

BUSINESS COMPLIANCE AND ANTI-CORRUPTION

We strive to maintain a high level of business integrity as it is vital to our reputation and the protection of our business partners and customers. To achieve so, the Group is in strict compliance with the Prevention of Bribery Ordinance (Cap. 201) in Hong Kong, and the Anti-Money Laundering Law and the Criminal Law of the PRC.

We do not, in any case, tolerate any business misconduct and malpractices, this includes any form of bribery, extortion, fraud and money laundering. As stated clearly in the Prevention of Bribery Ordinance incorporated in our Employee's Handbook, unethical business practices such as the offering and accepting of gifts are strictly prohibited. Once we discover any misconduct committed, the employees will be subject to termination of employment or disciplinary action.

Holding on to the values of openness, probity and accountability, we have formulated the Whistleblowing Policy which allows employees to voice their concerns or if they suspect any misconduct is being committed within the business. As the policy provides absolute anonymous reporting channels, it protects the whistleblowers from any unfair treatment and undesired consequences such as dismissal, victimization and disciplinary action, even for substantiated cases. At the same time, the Audit Committee has been tasked with handling the cases and delineating the investigation procedures. The Whistleblowing Policy not only apply to internal employees but also to our suppliers and contractors.

During the Year Under Review, there were no reported legal cases regarding the corrupt practices of our employees relating to bribery, extortion, fraud and/or money laundering. Though the Group did not provide any internal anti-corruption training to Directors and employees during the Year Under Review, they are encouraged to attend anti-corruption training provided by external parties at the Company's expenses.

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, 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 2022, the total remuneration paid to the external auditors for audit services and non-audit services (which mainly included interim review services) amounted to approximately RMB1.4 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 2022.

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.

Procedures for putting forward proposals by Shareholders at general meetings

The procedures for Shareholders to put forward proposals at an annual general meeting or EGM include a written notice of those proposals being submitted by Shareholders, addressed to 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. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution, or whether the proposal relates to the election of a person other than a Director as a director. The procedures for Shareholders to put forward proposals at an annual general meeting or EGM (including election of a person other than a Director as a director) are available on the Company's website or on request to the company secretary of the Company.

CONSTITUTIONAL DOCUMENTS

The Company has adopted the amended and restated memorandum and Articles of Association by special resolution passed on 31 May 2022 and effective on 31 May 2022. Please refer to the circular of the Company dated 25 April 2022 for details. Save as disclosed, during the year ended 31 December 2022, 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.

The Board has conducted an annual review of the implementation and effectiveness of the investor relations policies of the Company, and considered that the policies were implemented effectively during the year.

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

Hong Kong, 28 March 2023

REPORT OF THE DIRECTORS

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 2022 (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 2022 and the financial positions of the Company and the Group at that date are set out in the Financial Statements on pages 78 to 147.

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2022 (2021: 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 Wednesday, 31 May 2023, the register of members of the Company will be closed from Friday, 26 May 2023 to Wednesday, 31 May 2023 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with Computershare Hong Kong Investor Services Limited, the Company's share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on Thursday, 25 May 2023.

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 36. Financial highlights of the Group's performance during the Year Under Review using financial key performance indicators are 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 148.

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 promotes 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. The Group has taken measures to ensure the compliance of our manufacturing operations with environmental related requirements, which include: designating dedicated personnel to handle environmental compliance matters; continuously improving production processes to reduce energy consumption; implementing stringent waste treatment at production facilities; treating waste generated in compliance with applicable environmental standards; and designating dedicated personnel to handle and dispose of any hazardous waste in accordance with relevant regulations.

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 to 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. During the year ended 31 December 2022, we did not have any significant disputes with our employees and we are confident that the Group maintains a good work relationship with its employees.

The Group also understands that it is important to maintain good relationship with business partners such as customers, suppliers and financial institutions to achieve its long-term goals. Accordingly, our senior management has 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 in a timely and effective manner.

Foreign exchange risk

Fluctuations in exchange rates will increase the Group's costs in Renminbi for overseas operations or reduce the revenue in Renminbi derived from overseas operations, or affect the prices of export products and the prices of imported equipment and materials. Any increase in costs or decrease in revenue as a result of exchange rate fluctuations may adversely affect the Group's profit margin. The value of Renminbi is affected by changes in PRC government policies and international economic and political developments. During the Year Under Review, there was a significant exchange loss of RMB35.9 million as a result of the significant adjustment and fluctuation in the exchange rate of Renminbi, but the Group's principal business is still located in the PRC and substantially all of its product sales are conducted in Renminbi. Most of the Group's 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. As Renminbi is not freely convertible, the Group is exposed to the risk that the PRC government may take actions affecting the exchange rate, which may have a material adverse effect on the net assets, earnings and any dividends declared by the Group if such dividends are to be converted or translated into foreign currencies.

During the Year Under Review, the Group has established a foreign exchange risk management system internally to address the exchange rate risk. The Board and the management will continue to closely monitor the movements in the foreign exchange market and take effective measures to prevent exchange rate risk in a timely manner.

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 2022, 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, charity and other donations made by the Group were approximately RMB1.2 million (2021: RMB0.46 million).

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 82 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 2022, calculated in accordance with the Companies Law of the Cayman Islands, was reserves of approximately RMB316.3 million. Details 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 pages 146 and 147 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 2022 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 2022 are set out in Note 1 to the Financial Statements.

PLEDGE OF ASSETS

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

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "**Share Award Scheme**") by ordinary resolution of the Shareholders in the extraordinary general meeting on 5 December 2022 (the "**Adoption Date**"). The Share Award Scheme constitutes a share scheme involving the grant of new Shares for the purposes of the amendments to the Listing Rules relating to share scheme of listed issuers, which took effect on 1 January 2023. Please refer to the circular of the Company dated 16 November 2022 for further details. During the Year Under Review, no share award was granted, vested, cancelled or lapsed pursuant to the Share Award Scheme. As at 31 December 2022, the trustee has purchased an aggregate of 100,000 shares of the Company on the Stock Exchange for the purpose of the Share Award Scheme. A summary of the principal terms of the Share Award Scheme is set out below.

Purposes and objectives

The purposes and objectives of the Share Award Scheme are: (i) to recognize the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Eligible participants

Eligible participants under the Share Award Scheme include any employee, officer or director of any member of the Group.

Duration

Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

Scheme mandate limit and individual limit

The maximum number of Shares which may be allotted and issued in respect of all awards to be granted under the Share Award Scheme, and the options and awards to be granted under any other share scheme(s) shall not in aggregate exceed 10% of the number of Shares in issue on the date on which the Share Award Scheme was adopted by the Company.

As at the date of this annual report, the total number of Shares available for issue in respect of the awards granted under the Share Award Scheme was 36,000,000, representing 10% of the total issued Shares as at the date of this annual report.

The number of Shares issued and to be issued in respect of all options or awards granted to each participant (excluding any options and awards lapsed) under the Share Award Scheme and any other share scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company. Any further grant of awards in excess of such limit in any 12-month period up to and including the date of such further grant shall be separately approved by our Shareholders in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms of awards to be granted to such participant must be fixed before Shareholders' approval.

Vesting period

The vesting period of awards granted under the Share Award Scheme shall not be shorter than 12 months. The remuneration committee (or, as the case may be, our Directors) has the authority to determine a shorter vesting period if the remuneration committee (or, as the case may be, our Directors) considers that a shorter vesting period is appropriate to align with the purpose of the Amended Share Option Scheme.

Alteration of the Share Award Scheme

Subject to the provisions of the Share Award Scheme, the Share Award Scheme may be altered in any respect by resolution of the Board except that certain provisions of the Share Award Scheme shall not be altered to the advantage of the eligible participants except with the sanction of a resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of any award granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the selected participants as would be required of the holders of the Shares under the Articles of Association for the time being of the Company for a variation of the rights attached to the Shares.

Termination

The Share Award Scheme shall terminate on the earlier of: (i) the 10th anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any selected participants. As at the date of this annual report, the Share Award Scheme had a remaining life of approximately 10 years.

Number of awards available for grant

The number of awards available for grant under the scheme mandate limit of the Share Award Scheme and the number of options available for grant under the scheme mandate limit of the Amended Share Option Scheme shall not exceed 36,000,000 in aggregate as at 1 January 2022 and 31 December 2022.

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 its absolute discretion, at any time within a period of ten years commencing from 19 February 2020 offer to grant to any Eligible Participants (as defined herein below) options to subscribe for Shares. The Company amended the Share Option Scheme (the "**Amended Share Option Scheme**") by ordinary resolution of the Shareholders in the extraordinary general meeting on 5 December 2022. Please refer to the circular of the Company dated 16 November 2022 for details. During the Year Under Review, no share option was granted, exercised, cancelled or lapsed pursuant to the Amended Share Option Scheme.

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

1. The purposes of the Amended Share Option Scheme are (i) to enable us to grant options to selected participants as incentives or rewards for their contribution to our growth and development; (ii) to attract and retain personnel to promote our sustainable development; and (iii) to align the interest of the grantees with those of the Shareholders to promote our long-term financial and business performance. Our Directors consider the Amended Share Option Scheme will enable us to reward the employees, our Directors and other selected participants for their contributions to us.

2. Our Directors shall, in accordance with the provisions of the Amended 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 Amended Share Option Scheme to make an offer to any Eligible Participants:

   (i) any employee (whether full-time or part-time including any executive Director but excluding any non-executive Director) of our Company or any of our subsidiaries in which our Group holds an equity interest (and including persons who are granted options under the Amended Option Scheme or any other share scheme(s) as an inducement to enter into employment contracts with our Group) ("**Employee Participant**");

   (ii) any non-executive Directors (including independent non-executive Directors) of the Company or any of our subsidiaries; and

   (iii) any related entity participant.

3. The maximum number of Shares that may be allotted under all share schemes (which include the Amended Share Option Scheme and the Share Award Scheme) was 36,000,000 Shares, representing 10% of the total issued Shares as at 5 December 2022. 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 Amended Share Option Scheme was 36,000,000, representing 10% of the total issued Shares as at the date of this annual report.

4. The number of Shares issued and to be issued upon exercise of all options and awards granted to such person (excluding any options and awards lapsed) under the Amended Share Option Scheme and any other share scheme to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company ("**1% Individual Limit**"). Any further grant of options in excess of the 1% 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 Rule 17.03E 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 Amended 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 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 Amended 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. The vesting period of options granted under the Amended Share Option Scheme shall not be shorter than 12 months from the date of acceptance of the offer for the grant of options. The remuneration committee (or, as the case may be, our Directors) has the authority to determine a shorter vesting period if the participant is an Employee Participant and the remuneration committee (or, as the case may be, our Directors) considers that a shorter vesting period is appropriate to align with the purpose of the Amended Share Option Scheme.

6. The exercise price in respect of any option shall, subject to any adjustments made pursuant to the Amended Share Option Scheme, 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) (where applicable) the nominal value of a Share.

7. Unless terminated by the Company by resolution in general meeting, the Amended Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of its adoption (i.e. 5 December 2022). As at the date of this annual report, the Amended Share Option Scheme had a remaining life of approximately 10 years.

8. The number of options available for grant under the scheme mandate limit of the Amended Share Option Scheme and the number of awards available for grant under the scheme mandate limit of the Share Award Scheme shall not exceed 36,000,000 in aggregate as at 1 January 2022 and 31 December 2022.

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)*
Mr. Mao Zili (appointed on 2 September 2022)

Non-executive Director

Ms. Ouyang Ming (appointed on 2 September 2022)

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 40 to 43 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 Directors 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 Director (2021: 1 Director). 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 the date of appointment. 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.

Non-executive Director and independent non-executive Directors

Non-executive Director and each of our independent non-executive Directors has been appointed for an initial term of two years commencing from the date of appointment 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.

COMPLETION OF ISSUE AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

As disclosed in the announcements of the Company dated 19 May 2022, 22 July 2022 and 29 July 2022 (the "**Announcements**") (unless otherwise defined, capitalized terms used herein shall have the same meanings as defined in the Announcements), all conditions of the Subscription have been fulfilled and completion of the Subscription took place on 29 July 2022. A total of 60,000,000 Subscription Shares (all being ordinary shares of the Company) have been successfully issued and allotted to the Subscriber, GFL investment (Hong Kong) Limited, at the Subscription Price of HK$4.0 per Subscription Share pursuant to the terms and conditions of the Execution Agreement. After deducting related professional fees and all related expenses, the net Subscription Price is approximately HK$3.88 per Subscription Share. On 19 May 2022, being the date of the Framework Subscription Agreement, the closing price of the Company's shares is HK$4.43 per Share as quoted on the Stock Exchange. On 22 July 2022, being the date of the Execution Agreement, the closing price of the Company's shares is HK$4.55 per Share as quoted on the Stock Exchange. The aggregate nominal value of share capital for the Subscription Shares is HK$600,000.

The Directors consider that the Subscription represents an opportunity to raise capital for the Company while broadening the Shareholder base of the Company. Moreover, as Ganfeng Lithium is a global leading lithium ecological enterprise, the Subscription will create synergy effect and complementary advantages in terms of mineral resources, non-ferrous metal smelting and processing, and downstream customer resources. The Subscription is expected to enhance the Group's development in its tantalum and niobium business and enhance the Group's overall competitiveness.

The gross proceeds from the Subscription are approximately HK$240.0 million in aggregate. After deducting related professional fees and all related expenses of about HK$7.2 million borne by the Company under the Subscription, the net proceeds of the Subscription amount to approximately HK$232.8 million. As disclosed in the Announcements, the net proceeds from the Subscription will be used for the Group's investment in fixed assets and general working capital purposes. Please refer to the Announcements for further details.

As at 31 December 2022, the Group had used net proceeds of approximately HK$94.1 million, the following table illustrates the status of the use of net proceeds:

	%	**Planned use of the net proceeds as disclosed in the Announcements (HK$ million)**	Actual utilised amount as at 31 December 2022 (HK$ million)	Unutilised amount as at 31 December 2022 (HK$ million)
Investment in fixed assets and general working capital purposes	100%	**232.8**	94.1	138.7

The unutilised amount of net proceeds of approximately HK$138.7 million is expected to be completely utilised by December 2023.

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 2022, 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, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in the shares of 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)	56.94%

Notes:

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

(2) It represents Shares 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	Number and class of shares	Percentage of shareholding
Mr. Wu Lijue	Jiawei Resources Seychelles	Beneficial owner	1 ordinary share (L)	100%

Save as disclosed above, as at 31 December 2022, 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 2022, 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 2022, 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)	56.94%
Ms. Ruan Xiaomei *(Note 2)*	Interest of spouse	205,000,000 (L)	56.94%
Ganfeng Lithium Group Co., Ltd. *(Note 3)*	Beneficial owner	60,000,000 (L)	16.67%

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.

(3) Ganfeng Lithium Group Co., Ltd. (江西贛鋒鋰業集團股份有限公司) is a joint stock company established in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 002460) and the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1772).

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2022, 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 28 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 3.4% to 6.57%. 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 2022, the Group had cash and cash equivalents of approximately RMB325.4 million (31 December 2021: approximately RMB169.9 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year Under Review, the total turnover of the Group's five largest customers accounted for approximately 34.4% of the Group's revenue, in which turnover from the largest customer of the Group accounted for approximately 10.7% of the total revenue of the Group. During the same period, total purchases of the Group's five largest suppliers accounted for approximately 60.1% of the Group's total cost of sales, in which purchase from the largest supplier of the Group accounted for approximately 25.8% 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 2022 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 of any of the Directors (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 event after the reporting period as at the date of this report.

AUDITOR

The Financial Statements for the year ended 31 December 2022 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, 28 March 2023

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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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 78 to 147, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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.

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 2022, the Group's inventories amounted to RMB511.0 million, representing 30.1% 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 2022, the Group's trade receivables amounted to RMB164.2 million, representing 9.7% 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.

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
28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR	**107,467**	102,065
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**4,055**	(880)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	**8,155**	(170)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**12,210**	(1,050)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**119,677**	101,015
Total comprehensive income attributable to:		
Owners of the parent	**116,944**	101,015
Non-controlling interest	**2,733**	–
	119,677	101,015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**304,123**	164,798
Right-of-use assets	22(a)	**99,009**	48,838
Investments in associates	14	**12,072**	41,813
Prepayments and deposit	17	**88,627**	76,520
Total non-current assets		**503,831**	331,969
CURRENT ASSETS			
Inventories	15	**511,000**	255,832
Trade and bills receivables	16	**236,528**	130,122
Prepayments, deposits and other receivables	17	**122,309**	194,513
Cash and cash equivalents	18	**325,414**	169,939
Total current assets		**1,195,251**	750,406
CURRENT LIABILITIES			
Trade payables	19	**86,306**	13,621
Other payables and accruals	20	**85,759**	55,093
Interest-bearing bank borrowings	21	**315,097**	325,301
Lease liabilities	22(b)	**21,333**	11,979
Tax payables		**9,469**	16,498
Total current liabilities		**517,964**	422,492
NET CURRENT ASSETS		**677,287**	327,914
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,181,118**	659,883
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	21	**167,445**	19,824
Lease liabilities	22(b)	**11,567**	17,282
Total non-current liabilities		**179,012**	37,106
Net assets		**1,002,106**	622,777

	Notes	2022 RMB'000	2021 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	**3,228**	2,712
Reserves	25	**937,591**	620,065
		940,819	622,777
Non-controlling interest		**61,287**	–
Total equity		**1,002,106**	622,777

Mr. Wu Lijue
Director

Mr. Mao Zili
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent												
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000 (Note 25)	Other reserve RMB'000 (Note 25)	Statutory reserve RMB'000	PRC Specific reserve RMB'000 (Note 25)	Exchange reserve RMB'000 (Note 25)	Shares held for share award scheme RMB'000 (Note 24)	Retained profits RMB'000	Total RMB'000	Non-controlling Interest RMB'000	Total equity RMB'000
At 1 January 2021	2,712	128,676*	34,347*	8,803*	9*	–	8,844*	(1,815)*	–	340,186*	521,762	–	521,762
Profit for the year	–	–	–	–	–	–	–	–	–	102,065	102,065	–	102,605
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(880)	–	–	(880)	–	(880)
Exchange differences on translation of the Company's financial statements	–	–	–	–	–	–	–	(170)	–	–	(170)	–	(170)
Total comprehensive income for the year	–	–	–	–	–	–	–	(1,050)	–	102,065	101,015	–	101,015
Utilisation of specific reserve, net	–	–	–	–	–	–	(749)	–	–	749	–	–	–
Transfer to PRC statutory reserve	–	–	–	–	–	64,400	–	–	–	(64,400)	–	–	–
At 31 December 2021 and 1 January 2022	2,712	128,676*	34,347*	8,803*	9*	64,400*	8,095*	(2,865)*	–	378,600*	622,777	–	622,777
Profit for the year	–	–	–	–	–	–	–	–	–	104,734	104,734	2,733	107,467
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	4,055	–	–	4,055	–	4,055
Exchange differences on translation of the Company's financial statements	–	–	–	–	–	–	–	8,155	–	–	8,155	–	8,155
Total comprehensive income for the year	–	–	–	–	–	–	–	12,210	–	104,734	116,944	2,733	119,677
Utilisation of specific reserve, net	–	–	–	–	–	–	(4,216)	–	–	4,216	–	–	–
Issue of shares pursuant to share subscription	516	199,508	–	–	–	–	–	–	–	–	200,024	–	200,024
Transfer to PRC statutory reserve	–	–	–	–	–	7,369	–	–	–	(7,369)	–	–	–
Purchase of shares under share award scheme	–	–	–	–	–	–	–	–	(372)	–	(372)	–	(372)
Deemed disposal of partial interest in a subsidiary	-	-	1,446	-	-	-	-	-	-	-	1,446	58,554	60,000
At 31 December 2022	3,228	328,184*	35,793*	8,803*	9*	71,769*	3,879*	9,345*	(372)*	480,181*	940,819	61,287	1,002,106

* These reserve accounts comprise the consolidated reserves of RMB937,591,000 (2021: RMB620,065,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**124,134**	118,550
Adjustments for:			
Finance costs	6	**20,968**	11,782
Share of loss from an associate		**2,246**	–
Depreciation of property, plant and equipment	7	**17,258**	12,752
Depreciation of right-of-use assets	7	**6,001**	5,769
Loss on disposal of items of property, plant and equipment	7	**197**	1,609
Reversal of impairment of trade receivables	7	**(316)**	(5,933)
Write-back of provision of inventories	7	**–**	(5,545)
Interest income	5	**(2,682)**	(1,277)
		167,806	137,707
(Increase)/decrease in inventories		**(255,168)**	18,871
(Increase)/decrease in trade and bills receivables		**(106,090)**	26,280
Decrease/(increase) in prepayments, deposits and other receivables		**67,496**	(76,617)
Increase in trade payables		**79,841**	7,327
Increase in other payables and accruals		**30,448**	9,038
Cash generated (used in)/from operations		**(15,667)**	122,606
Interest paid	29(b)	**(2,347)**	(445)
Hong Kong profits tax paid		**(12,358)**	(316)
Overseas taxes paid		**(11,904)**	(9,877)
Net cash flows generated (used in)/from operating activities		**(42,276)**	111,968
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in associates		**(9,818)**	(41,813)
Return of capital from associate		**37,313**	–
Additions to prepaid land payments included in right-of-use assets		**(31,977)**	–
Purchases of items of property, plant and equipment		**(106,759)**	(81,735)
Prepayments and deposits paid for acquisition of property, plant and equipment		**(59,866)**	(63,202)
Interest received		**2,682**	1,277
Net cash flows used in investing activities		**(168,425)**	(185,473)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	23	200,024	–
New bank loans		671,078	410,318
Repayment of bank loans		(533,661)	(331,123)
Repayment of lease liabilities	29(b)	(20,559)	(4,171)
Interest paid		(20,831)	(13,215)
Purchase of shares held for share award scheme		(372)	–
Proceeds from deemed disposal of partial interest in a subsidiary		60,000	–
Net cash flows from financing activities		355,679	61,809
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		144,978	(11,696)
Cash and cash equivalents at beginning of year		169,939	186,378
Effect of foreign exchange rate changes, net		10,497	(4,743)
CASH AND CASH EQUIVALENTS AT END OF YEAR		325,414	169,939
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		325,414	169,939

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, which is incorporated in the Republic of Seychelles ("Seychelles").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinjia Group Limited 新佳集團有限公司	Seychelles 21 June 2017	US$1	100	–	Investment holding
Ximei Resources (Guangdong) Limited* 稀美資源(廣東)有限公司#	People's Republic of China (''PRC")/ Mainland China 9 May 2006	RMB228,800,000	–	100	Manufacture and sale of non-ferrous metal products
Ximei Resources (Hong Kong) Limited 稀美資源(香港)有限公司	Hong Kong 29 June 2017	Hong Kong dollars (''HK$") 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	RMB160,000,000.00	–	62.5	Manufacture and sale of non-ferrous metal products

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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	–	62.5	Trading of non-ferrous metal products
Ximei Resources (Leizhou) Limited* 稀美資源(雷州)有限公司	PRC/Mainland China 22 August 2022	RMB100,000,000	–	100	Manufacture and sale of non-ferrous metal products
Ximei Resources (Guiyang) Limited* 稀美資源(貴陽)有限公司	PRC/Mainland China 16 November 2022	RMB100,000,000	–	100	Manufacture and sale of non-ferrous metal products
Ximei (Guiyang) Technology Limited* 稀美(貴陽)科技有限公司	PRC/Mainland China 16 November 2022	RMB100,000,000	–	100	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.

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 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

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

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

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 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the 2020 Amendments)*[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the 2022 Amendments)*[2]
Amendment to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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 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 HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, 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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 in HKSA 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. 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 Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to HKAS 12. The Group has estimated that it will recognise a deferred tax asset of RMB7,315,000 for deductible temporary differences associated with lease liabilities and a deferred tax liability of RMB6,808,000 for taxable temporary differences associated with right-of-use assets, and recognise the cumulative effect of initially applying the amendments as an adjustment to 1 January 2022.

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;

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

If ownership of the lease asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of staff quarters (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also 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 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 that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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 its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 in the accounting period on which the services are rendered.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 ranging between 4.3% and 4.9% (2021: 5.4%) was 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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).

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.

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.

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 2022 was RMB511,000,000 (2021: RMB255,832,000).

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 2022 was RMB236,528,000 (2021: RMB130,122,000).

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

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

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

(b) Non-current assets

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

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

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:

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

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

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

An analysis of revenue is as follows:

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

(i) Disaggregated revenue information

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

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

(i) Disaggregated revenue information (Continued)

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

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

(ii) Performance obligations

Sale of products

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

Provision of processing services

The performance obligation is satisfied when 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 2022 (2021: Nil).

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

(ii) Performance obligations (Continued)

Provision of processing services (Continued)

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

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

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

* Interest expenses was capitalised for the construction in progress.

7. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**636,673**	492,840
Cost of service rendered		**77,027**	65,365
Depreciation of property, plant and equipment	13	**17,258**	12,752
Depreciation of right-of-use assets	22	**6,001**	5,769
Research and development costs		**47,642**	29,762
Lease payments not included in the measurement of lease liabilities	22	**158**	56
Auditors' remuneration		**2,006**	1,831
Employee benefit expense (including directors' and chief executive's remuneration (note 10)):			
Wages and salaries		**60,510**	49,428
Pension scheme contributions*		**2,133**	6,162
		62,643	55,590
Loss on disposal of items of property, plant and equipment#		**197**	1,609
Reversal of impairment of trade receivables#	16	**(316)**	(5,933)
Write-back of provision of inventories#		**–**	(5,545)
Foreign exchange differences, net		**35,947**	(2,590)

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

\# Included in other operating (expenses)/income

8. INCOME TAX

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

Tax on profits assessable in the Mainland China has been calculated at the applicable PRC corporate income tax (''CIT") rate of 25% during the year (2021: 25%). During the year, Ximei Resources (Guangdong) Limited was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate at 15% (2021: 15%).

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

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:

	2022 RMB'000	2022 %	2021 RMB'000	2021 %
Profit before tax	**124,134**		118,550	
Tax at the statutory tax rate	**31,034**	**25.0**	29,637	25.0
Lower tax rate enacted by local authority	**(5,904)**	**(4.8)**	(10,932)	(9.2)
Lower tax rates for subsidiaries operating in other jurisdictions	**(5,069)**	**(4.1)**	(1,898)	(1.6)
Adjustments in respect of current tax of previous periods	**1,921**	**1.5**	1,727	1.5
Additional tax deduction on research and development expenses of PRC subsidiaries	**(5,930)**	**(4.8)**	(3,876)	(3.3)
Income not subject to tax	**(306)**	**(0.2)**	(923)	(0.7)
Tax effect of unrecognised deductible temporary differences	**–**	**–**	(1,722)	(1.5)
Expenses not deductible for tax	**2,451**	**2.0**	2,195	1.8
Tax losses utilised from previous period	**(2,178)**	**(1.8)**	–	–
Tax losses not recognised	**–**	**–**	2,237	1.9
Others	**648**	**0.5**	40	–
Tax charge at the Group's effective rate	**16,667**	**13.4**	16,485	13.9

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

	2022 RMB'000	2021 RMB'000
Tax losses	**411**	8,949
Deductible temporary differences	**1,659**	992
	2,070	9,941

8. INCOME TAX (Continued)

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 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB528.3 million (2021: RMB473.2 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 (2021: 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:

	2022 RMB'000	2021 RMB'000
Fees	**314**	291
Other emoluments:		
Salaries, allowances and benefits in kind	**1,782**	1,254
Pension scheme contributions	**36**	57
	1,818	1,311

Independent non-executive directors

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

	2022 RMB'000	2021 RMB'000
Mr. Lau Kwok Fai Patrick	**134**	125
Mr. Zhong Hui	**90**	83
Mr. Yin Fusheng	**90**	83
	314	291

There were no other emoluments paid or payable to the independent non-executive directors of the Company during the year (2021: 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 2022				
Executive directors:				
Mr. Wu Lijue*	**–**	**893**	**16**	**909**
Ms. Wu Shandan%	**–**	**314**	**20**	**334**
Mr. Mao Zili^	**–**	**540**	**–**	**540**
	–	**1,747**	**36**	**1,783**
Non-executive director:				
Ms. Ouyang Ming@	**–**	**35**	**–**	**35**
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

* 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.

@ Ms. Ouyang Ming was appointed as a non-executive director of the Company on 2 September 2022.

^ Mr. Mao Zili was appointed as an executive director of the Company on 2 September 2022.

% Ms. Wu Shandan resigned as an executive director of the Company on 15 April 2022.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2021: 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 (2021: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one director (2021: one director) for the year ended 31 December 2022, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining four (2021: four) highest paid employees for the year, who are neither a director nor chief executive of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**2,364**	2,352
Pension scheme contributions	**225**	217
	2,589	2,569

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	
	2022	2021
Nil to HK$1,000,000 (equivalent to RMB830,000)	**4**	4

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 (2021: 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 (2021: 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 325,641,500 (2021: 300,000,000) in issue during the year. The weighted average number of ordinary shares has been arrived at after deducting the shares held by the trustee of share award scheme of the Company.

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

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 2022						
At 1 January 2022:						
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
At 1 January 2022, net of accumulated depreciation	31,783	43,975	852	2,113	86,075	164,798
Additions	–	23	375	46	156,284	156,728
Transfers	688	33,345	174	228	(34,435)	–
Depreciation provided during the year	(3,134)	(12,997)	(251)	(876)	–	(17,258)
Disposals	–	(191)	(6)	–	–	(197)
Exchange realignment	–	–	–	52	–	52
At 31 December 2022, net of accumulated depreciation	29,337	64,155	1,144	1,563	207,924	304,123
At 31 December 2022:						
Cost	54,899	111,269	1,945	5,124	207,924	381,161
Accumulated depreciation	(25,562)	(47,114)	(801)	(3,561)	–	(77,038)
Net carrying amount	29,337	64,155	1,144	1,563	207,924	304,123

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 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

As at 31 December 2022, included in the Group's buildings were certain buildings with an aggregate carrying amount of approximately RMB5,472,000 (2020: RMB5,981,000) 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 2023. 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 2022, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB47,634,000 (2021: RMB25,205,000) were pledged to secure the Group's bank loans (note 21).

14. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Cost of investment	14,318	41,813
Share of loss of an associate	(2,246)	–
	12,072	41,813

As at 31 December 2022, particulars of the Group's associate are as follows:

Name	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
CNNC Huazhong New Materials Co., Ltd.* ("CNNC Huazhong") 中核華中新材料有限公司(Note a)	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.

Notes:

(a) 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. During the year, the Group has capital contribution of RMB9,818,000 to CNNC Huazhong and the Group's shareholding remained 45 % (2021:45%)

(b) As at 31 December 2021, there was an investment in Tianmei Lithium Energy (Siuchuan) Co., Ltd (天美鋰電能源(四川)有限公司) ("Tianmei Lithium") amounted to RMB37,313,000. In June 2022, all investors agreed to terminate the investments of Tianmei Lithium, and the investment costs of RMB37,313,000 was refunded in full in August 2022.

15. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	195,973	143,203
Work in progress	147,088	59,554
Finished goods	167,939	53,075
	511,000	255,832

16. TRADE AND BILLS RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

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

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

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

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

16. TRADE AND BILLS RECEIVABLES (Continued)

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.

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 2022

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.38%**	**0.38%**	**1.79%**	**1.79%**	**0.41%**
Gross carrying amount (RMB'000)	**129,380**	**31,866**	**2,598**	**1,051**	**164,895**
Expected credit losses (RMB'000)	**490**	**121**	**46**	**19**	**676**

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

There was no recent history of default for bills receivable. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2022 RMB'000	2021 RMB'000
Non-current			
Deposit	(a)	**22,000**	8,000
Prepayment for the prepaid land leases	(b)	**6,543**	3,193
Prepayments for acquisition of property, plant and equipment		**60,084**	65,327
		88,627	76,520
Current			
Prepayments		**116,372**	139,602
Other tax recoverable		**1,137**	52,692
Deposits and other receivables	(c)	**4,800**	2,219
		122,309	194,513

Notes:

(a) The Group has paid a deposit of RMB11,000,000 (2021: RMB8,000,000) and RMB11,000,000 (2021: Nil) for a new factory in Guizhou and Guiyang, respectively. The constructions are expected to be completed by 2024.

(b) In prior years, the Group entered into a sale and purchase agreement with the local authority for the leasehold land A 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.

During the year ended 31 December 2022, the Group entered into a sale and purchase agreement with the local authority for the leasehold land B in Yingde with aggregate considerations of RMB3,350,000 of which the certificate of prepaid land use right has not yet been obtained.

(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 2022 and 2021, 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 2022, the Group's cash and bank balances denominated in RMB amounted to RMB218,520,000 (2021: RMB121,023,000). 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:

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

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

20. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Contract liabilities	(i)	3,611	2,215
Other payables	(ii)	46,365	15,403
Accruals		28,873	30,957
Deferred income	(iii)	6,910	6,518
		85,759	55,093

20. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

(i) Details of contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Short-term advances received from customers			
Sale of products	**3,611**	2,215	1,555

Contract liabilities include short-term advances received to deliver goods. The increase in contract liabilities in 2022 and 2021 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 2022			31 December 2021		
	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000
Current						
Bank loans – unsecured	**3.4-6.6**	**2023**	**300,694**	0.6-4.2	2022	261,308
Bank loans – secured	**4.6-5.2**	**2023**	**14,403**	1.4-5.4	2022	63,993
			315,097			325,301
Non-current						
Bank loans – secured	**4.6-5.2**	**2024-2029**	**42,621**	5.4	2023-2024	19,824
Bank loans – unsecured	**3.4-6.6**	**2024-2029**	**124,824**	–	–	–
			167,445			19,824
			482,542			345,125

21. INTEREST-BEARING BANK BORROWINGS (Continued)

The maturity of the above bank borrowings is as follows:

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**315,097**	325,301
In the second year	**81,659**	9,527
In the third to fifth years, inclusive	**79,401**	10,297
Over five years	**6,385**	–
	482,542	345,125

Notes:

(a) As at 31 December 2022, the Group's loan facilities amounting to RMB643,450,000 (2021: RMB210,000,000), of which RMB237,472,000 (2021: RMB170,242,000) had been utilised as at the end of the reporting period, were guaranteed by the Company.

As at 31 December 2022, the Group's loan facilities amounting to RMB226,000,000 (2021: RMB226,000,000), of which RMB154,880,000 (2021: RMB51,932,000) 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.

As at 31 December 2022, the Group's loan facilities amounting to RMB35,000,000 (2021: Nil), of which RMB27,904,000 (2021: Nil) had been utilised as at the end of the reporting period, were guaranteed by the Company's subsidiary, Ximei Resources (Guangdong) Limited.

As at 31 December 2022, the Group's loan facilities amounting to RMB114,200,000 (2021: Nil), of which RMB62,285,000 (2021: Nil) had been utilised as at the end of the reporting period, were jointly guaranteed by the Company and the Company's subsidiary, Ximei Resources (Guangdong) Limited.

(b) As at 31 December 2022, 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 RMB20,467,000 (2021: RMB20,950,000) and RMB47,634,000 (2021: RMB25,205,000), respectively.

(c) The bank loans of RMB284,988,000 (2021: RMB63,789,000) and RMB197,554,000 (2021: RMB281,336,000) 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 lands RMB'000	Plant and machinery RMB'000	Offices RMB'000	Total RMB'000
As at 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 and 1 January 2022	21,608	25,379	1,851	48,838
Additions	31,977	26,722	–	58,699
Depreciation charge	(617)	(4,019)	(1,365)	(6,001)
Revision of a lease term arising from a change in the non-cancellable period of lease	–	(2,593)	–	(2,593)
Exchange realignment	–	–	66	66
As at 31 December 2022	52,968	45,489	552	99,009

At 31 December 2022, certain of the Group's leasehold lands with a net carrying amount of approximately RMB20,467,000 (2021: RMB20,950,000) 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:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	29,261	3,167
New leases	26,722	29,999
Accretion of interest recognised during the year	2,347	445
Payments	(22,906)	(4,616)
Revision of a lease term arising from a change in the non-cancellable period of lease	–	288
Remeasurement arising from revision of lease terms	(2,593)	–
Exchange realignment	69	(22)
Carrying amount at 31 December	32,900	29,261
Analysed into:		
Current portion	21,333	11,979
Non-current portion	11,567	17,282
	32,900	29,261

The maturity analysis of lease liabilities is as follows:

	2022 RMB'000	2021 RMB'000
Analysed into:		
Within one year	21,333	11,979
In the second year	10,272	11,322
In the third to fifth years, inclusive	499	5,158
Beyond five years	796	802
	32,900	29,261

22. LEASES (Continued)

The Group as a lessee (Continued)

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**2,347**	445
Expense related to leases of low-value assets (included in administrative expenses)	**158**	56
Depreciation charge of right-of-use assets	**6,001**	5,769
Total amount recognised in profit or loss	**8,506**	6,270

(d) The total cash outflow for leases is disclosed in note 29(c) to the consolidated financial statements.

23. SHARE CAPITAL

	2022		2021	
	HK$'000	Equivalent to RMB'000	HK$'000	Equivalent to RMB'000
Issued and fully paid: 360,000,000 (2021: 300,000,000) ordinary shares of HK$0.01 each	**3,600**	**3,228**	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.

23. SHARE CAPITAL (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2021, 31 December 2021 and 1 January 2022	300,000,000	2,712
Issue of new shares (note)	60,000,000	516
At 31 December 2022	360,000,000	3,228

Note:

A subscription issue on 29 July 2022 was made, at a subscription price of HK$4 (equivalent to RMB3.44) per subscription share, resulting in the issue of 60,000,000 shares for a total cash consideration, before expenses of HK$240,000,000 (approximately equivalent to RMB200,024,000). Further details of the transaction are included in the announcements of the Company dated 19 May 2022, 22 July 2022 and 29 July 2022, respectively.

24. SHARE-BASED PAYMENT TRANSACTIONS

Share award scheme

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a resolution passed on 5 December 2022, pursuant under which eligible participants, including employee, officer or directors of the Group ("Eligible Participants"). The purpose of the Share Award Scheme is to recognise the contribution by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and also to attract suitable personnel for further development of the Group. Under the Share Award Scheme, the vesting period of awards shall not be less than 12 months in general. The Share Award Scheme became effective on 5 December 2022 and, unless otherwise terminated or amended, will remain in force for 10 years.

Pursuant to the terms of the Share Award Scheme, the Company appointed a trustee, Futu Trustee Limited (the "Trustee"), for the purpose of administering the share awards under the Share Award Scheme. The Board may from time to time instruct the Trustee in writing to purchase shares on the Stock Exchange or accept and receive a specified number of shares from any significant shareholder or any party designated by the Company, unless during the year in which the directors of the Company are prohibited by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company.

In any given financial year of the Company, the maximum number of shares which may be alloted and granted in respect of all awards to be granted, when aggregate with share option scheme of the Company, shall not exceed 10% of number of shares in issue as at on the date on which the Share Award Scheme is adopted by the Company.

24. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share award scheme (Continued)

The directors would notify the Trustee of the Share Award Scheme in writing upon the grant of any award to any participants. Upon the receipt of such notice, the Trustee would set aside the appropriate number of awarded shares in the pool of shares. New shares would be allotted and issued to satisfy the awards granted under the Share Award Scheme in accordance with the Share Award Scheme.

During the year, the Trustee purchased 100,000 shares of the Company on the Stock Exchange at a total consideration of HK$415,000 (equivalent to RMB372,000) and no Eligible Participant was awarded under the Share Award Scheme. As at 31 December 2022, 100,000 ordinary shares of the Company were held by the Trustee of the Share Award Scheme.

Subsequent to the reporting period, in January and February 2023, an aggregate of 165,000 ordinary shares of the Company were purchased by the Trustee.

Share option scheme

The Company's share option scheme (the "Scheme") was adopted for the purpose of providing incentives and rewards to Eligible Participants for their contribution to the growth and development of the Group; to attract and retain personnel to promote the sustainable development of the Group; and to align the interest of the Eligible Participants with those of the shareholders to promote the long-term financial and business performance of the Company.

The Scheme became effective on 19 February 2020, which has been amended on 5 December 2022 and, unless otherwise terminated or amended, will remain in force for 10 years. The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme of the Company must not when aggregate with Share Award Scheme of the Company exceed 10% of the Company's shares in issue as at the date of approval of this Scheme.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time unless prior approval has been obtained from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days of the date of offer of grant, upon payment of HK$1 per option. Options may be exercised at any time during a period to be determined and notified by the board of directors to each grantee, which period may commence from the date of grant of the share option to the 10th anniversary of the date of grant. There is a minimum period of 12 months for which an option must be held before the exercise of the subscription right attaching hereto except otherwise imposed by the board of directors.

The exercise price is specified in the rules governing the share option scheme and shall not be lower than the highest of the (i) closing price of the ordinary shares of the Company on the Stock Exchange on the date of the offer of grant of options; (ii) the average closing price of the ordinary shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of grant of the options; and (iii) the nominal value of an ordinary share of the Company.

As at 31 December 2022, no share options were granted.

25. 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 82 of the consolidated financial statements.

Capital reserve

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

During the year, the difference of RMB1,446,000 was recognised between the amounts of net consideration and the carrying values of non-controlling interests disposed of Ximei Resources (Guizhou) Technology Limited.

Merger reserve

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.

Statutory reserve

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.

Specific reserve

The Group's specific reserve represents the safety production fund provided in accordance with the 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.

26. 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.

27. COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Contracted but not provided for:		
Plant and equipment	**125,081**	104,420
Capital contributions to an associate	**30,682**	40,500
	155,763	144,920

28. 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	2022 RMB'000	2021 RMB'000
Lease payments for properties:			
Jiawei Resources Limited	(i)	**362**	349
Mr. Wu Lijue	(ii)	**1,083**	1,031

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 2022, a right-of-use asset of RMB552,000 (2021: RMB832,000) and a lease liability of RMB550,000 (2021: RMB823,000) in respect of the lease were recognised in the consolidated statement of financial position; and during the year, depreciation of the right-of-use asset of RMB346,000 (2021: RMB346,000) and interest expense on the lease liability of RMB22,000 (2021: RMB16,000) were charged to the consolidated statement of profit or loss.

(ii) The Group leased office properties from Mr. Wu Lijue. The monthly lease payments for the 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 2022, a right-of-use asset of RMB1,019,000 and a lease liability of RMB1,159,000 in respect of the lease were recognised in the consolidated statement of financial position. During the year, depreciation of the right-of-use assets of RMB1,019,000 (2021: RMB1,019,000) and interest expense on the lease liabilities of RMB25,000 (2021: RMB67,000) were charged to the consolidated statement of profit or loss.

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

	2022 RMB'000	2021 RMB'000
Short term employee benefits	**4,460**	3,897
Post-employment benefits	**260**	274
Total compensation paid to key management personnel	**4,720**	4,171

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

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB26,722,000 (2021: RMB29,999,000) and RMB26,722,000 (2021: RMB29,999,000), respectively, in respect of lease arrangements for office and plant and machinery.

During the year ended 31 December 2022, the Group had non-cash remeasurements of right-of-use assets and lease liabilities of RMB2,593,000 (2021: RMB288,000) and RMB2,593,000 (2021: RMB288,000), respectively, arising from a change in the non-cancellable period of lease.

(b) Changes in liabilities arising from financing activities:

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
As at 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 and 1 January 2022	**345,125**	**29,261**
Changes from financing cash flows	**137,417**	**(20,559)**
New leases	**–**	**26,722**
Revision of a lease term arising from a change in the non-cancellable period of lease	**–**	**(2,593)**
Interest expense	**–**	**2,347**
Interest paid classified as operating cash flows	**–**	**(2,347)**
Foreign exchange movement	**–**	**69**
As at 31 December 2022	**482,542**	**32,900**

29. 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:

	2022 RMB'000	2021 RMB'000
Within operating activities	**2,347**	445
Within financing activities	**20,559**	4,171
	22,906	4,616

30. 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

	2022 RMB'000	2021 RMB'000
Trade and bills receivables	**236,528**	130,122
Financial assets included in prepayments, deposits and other receivables	**4,800**	2,219
Cash and cash equivalents	**325,414**	169,939
	566,742	302,280

Financial liabilities at amortised cost

	2022 RMB'000	2021 RMB'000
Trade payables	**86,306**	13,621
Financial liabilities included in other payables and accruals	**75,238**	46,360
Interest-bearing bank borrowings	**482,542**	345,125
Lease liabilities	**32,900**	29,261
	676,986	434,367

31. 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	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest-bearing bank borrowings	**482,542**	345,125	**448,939**	338,926

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.

31. 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 2022				
Interest-bearing bank borrowings	**–**	**448,939**	**–**	**448,939**

	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

32. 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 and lease liabilities.

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 2022		
RMB	**100**	**(665)**
US$	**100**	**(1,259)**
HK$	**100**	**299**
RMB	**(100)**	**665**
US$	**(100)**	**1,259**
HK$	**(100)**	**(299)**
31 December 2021		
RMB	100	572
US$	100	(2,459)
HK$	100	134
RMB	(100)	(572)
US$	(100)	2,459
HK$	(100)	(134)

32. 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 2022, approximately 24.3% (2021: 15.2%) 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 2022		
If RMB weakens against US$	**1**	**(1,187)**
If RMB weakens against HK$	**1**	**299**
If RMB strengthens against US$	**(1)**	**1,187**
If RMB strengthens against HK$	**(1)**	**(299)**
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)

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 61.5% (2021: 62.1%) of the Group' trade receivables were due from the five largest debtors, while 33.7% (2021: 15.5%) of the total trade receivables were due from the largest debtor.

32. 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. The amounts presented are gross carrying amounts for the financial assets.

As at 31 December 2022

	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*	–	–	–	164,895	164,895
Bills receivable					
– Normal**	72,309	–	–	–	72,309
Financial assets included in prepayments, deposits and other receivables					
– Normal**	4,800	–	–	–	4,800
Cash and cash equivalents					
– Not yet past due	325,414	–	–	–	325,414
	402,523	–	–	164,895	567,418

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

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

* 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".

32. 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 2022

	On demand and within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	86,306	–	–	86,306
Other payables and accruals	75,238	–	–	75,238
Interest-bearing bank borrowings	333,377	149,702	28,388	511,467
Lease liabilities	21,720	11,824	1,608	35,152
	516,641	161,526	29,996	708,163

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate benchmark reform

As at 31 December 2022, 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:

	2022 RMB'000	2021 RMB'000
Non-derivative financial liabilities – carrying value		
Interest-bearing bank borrowings		
– United States dollar LIBOR	**197,554**	281,336

32. 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 interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity. The gearing ratios as at the end of the reporting period were as follows:

	2022 **RMB'000**	2021 RMB'000
Total interest-bearing bank borrowings less cash and cash equivalents	**157,128**	175,186
Total equity	**1,002,106**	622,777
Gearing ratio	**15.7%**	28.1%

33. 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:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property plant and equipment	10	–
Investment in a subsidiary	129,157	129,157
Due from a subsidiary	181,016	231
Total non-current assets	310,183	129,388
CURRENT ASSETS		
Prepayments	6,494	–
Cash and cash equivalents	25,400	4,208
Total current assets	31,894	4,208
CURRENT LIABILITIES		
Trade payables	1,125	–
Other payables and accruals	1,613	1,397
Total current liabilities	2,738	1,397
NET CURRENT ASSETS	29,156	2,811
TOTAL ASSETS LESS CURRENT LIABILITIES	339,339	132,199
NON-CURRENT LIABILITIES		
Due to a subsidiary	19,817	19,930
Total non-current liabilities	19,817	19,930
Net assets	319,522	112,269
EQUITY		
Share capital	3,228	2,712
Reserves (note)	316,294	109,557
Total equity	319,522	112,269

33. 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	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 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 and 1 January 2022	**128,676**	**34,347**	**(1,566)**	**–**	**(51,900)**	**109,557**
Loss for the year	**–**	**–**	**–**	**–**	**(554)**	**(554)**
Issue of new shares	**199,508**	**–**	**–**	**–**	**–**	**199,508**
Purchase of shares under share award scheme	**–**	**–**	**–**	**(372)**	**–**	**(372)**
Exchange differences on translation of the Company's financial statements	**–**	**–**	**8,155**	**–**	**–**	**8,155**
At 31 December 2022	**328,184**	**34,347**	**6,589**	**(372)**	**(52,454)**	**316,294**

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2023.

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				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
CONSOLIDATED RESULTS					
Revenue	**1,019,600**	763,725	601,652	600,644	514,718
Gross profit	**305,900**	205,520	172,650	159,004	165,233
Profit before taxation	**124,134**	118,550	87,164	83,941	90,094
Income tax	**(16,667)**	(16,485)	(16,855)	(14,289)	(13,023)
Profit for the year from continuing operation	**107,467**	102,065	70,309	69,652	77,071
Attributable to:					
Equity holders of the Company	**104,734**	102,065	70,309	69,652	77,071

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**1,699,082**	1,082,375	853,660	527,224	473,082
Total liabilities	**(696,976)**	(459,598)	(331,898)	(206,624)	(221,560)
Equity attributable to owners of the Company	**1,002,106**	622,777	521,762	320,600	251,522

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