XIMEI RESOURCES HOLDING LIMITED

稀 美 資 源 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9936)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		% Changes
	2023	2022	Increase/
	RMB'000	*RMB'000*	(decrease)
	(Unaudited)	(Unaudited)	
Financial Highlights			
Revenue	**632,657**	469,719	34.7%
Cost of sales	**(483,064)**	(306,251)	57.7%
Gross profit	**149,593**	163,468	(8.5)%
Gross profit margin	**23.6%**	34.8%	(11.2)% points
Profit before tax	**59,965**	78,183	(23.3)%
Profit for the period	**48,823**	62,672	(22.1)%
Profit attributable to shareholders of the Company	**44,819**	62,102	(27.8)%
Basic earnings per share *(RMB)*	**0.12**	0.21	(42.9)%

	As at 30 June 2023	As at 31 December 2022	% Changes Increase/ (decrease)
	(Unaudited)	(Audited)	
Liquidity and Gearing			
Current ratio *(Note 1)*	**2.44**	2.31	5.6%
Quick ratio *(Note 2)*	**1.42**	1.32	7.6%
Gearing ratio *(Note 3)*	**26.5%**	15.7%	10.8% points

Notes:

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

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

(3) Gearing ratio represents total bank borrowings, less cash and bank balances, divided by total equity as at the relevant year/period end.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**632,657**	469,719
Cost of sales		**(483,064)**	(306,251)
Gross profit		**149,593**	163,468
Other income and gains, net		**4,691**	2,271
Selling and distribution expenses		**(7,630)**	(5,162)
Administrative expenses		**(67,917)**	(51,435)
Other expenses		**(6,608)**	(22,323)
Finance costs		**(10,853)**	(8,636)
Share of loss of an associate		**(1,311)**	–
PROFIT BEFORE TAX	*5*	**59,965**	78,183
Income tax expense	*6*	**(11,142)**	(15,511)
PROFIT FOR THE PERIOD		**48,823**	62,672
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		**(30)**	1,407
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company's financial statements		**6,693**	89

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX OF NIL		**6,663**	1,496
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**55,486**	64,168
Profit for the period attributable to:			
Shareholders of the Company		**44,819**	62,102
Non-controlling interest		**4,004**	570
		48,823	62,672
Total comprehensive income for the period attributable to:			
Shareholders of the Company		**51,482**	63,598
Non-controlling interest		**4,004**	570
		55,486	64,168
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted *(RMB)*	*8*	**0.12**	0.21

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**332,598**	304,123
Right-of-use assets		**104,634**	99,009
Investment in an associate		**26,061**	12,072
Prepayments		**44,937**	88,627
Total non-current assets		**508,230**	503,831
CURRENT ASSETS			
Inventories		**535,664**	511,000
Trade and bills receivables	10	**350,311**	236,528
Prepayments, deposits and other receivables		**217,757**	122,309
Cash and bank balances		**170,650**	325,414
Total current assets		**1,274,382**	1,195,251
CURRENT LIABILITIES			
Trade payables	11	**115,501**	86,306
Other payables and accruals		**115,082**	85,759
Bank borrowings		**254,496**	315,097
Lease liabilities		**18,384**	21,333
Income tax payables		**17,849**	9,469
Total current liabilities		**521,312**	517,964
NET CURRENT ASSETS		**753,070**	677,287
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,261,300**	1,181,118

	Note	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Bank borrowings		**196,161**	167,445
Lease liabilities		**9,156**	11,567
Total non-current liabilities		**205,317**	179,012
Net assets		**1,055,983**	1,002,106
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	*12*	**3,228**	3,228
Reserves		**987,464**	937,591
		990,692	940,819
Non-controlling interest		**65,291**	61,287
Total equity		**1,055,983**	1,002,106

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The unaudited interim condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information:

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The People's Republic of China (the "**PRC**")	**519,018**	395,577
The United States of America	**71,140**	43,230
Asia	**21,752**	16,834
Europe	**20,747**	13,997
Others	**–**	81
	632,657	469,719

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

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

No geographical information of non-current assets is presented as more than 90% of the non-current assets of the Group (other than financial assets) as at 30 June 2023 and 31 December 2022 are located in Mainland China.

Information about major customers

The revenue generated from sales to each of the customers which individually contributed more than 10% of the Group's total revenue during the period is set out below:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**N/A***	50,792
Customer B	**75,056**	53,920
Customer C	**N/A***	29,093
Customer D	**66,004**	N/A*

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

4. REVENUE

Revenue for the current and prior periods wholly represented revenue from contracts with customers.

Disaggregate revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Sales of products	**631,875**	469,719
Provision of processing services	**782**	–
Total revenue from contracts with customers	**632,657**	469,719
Timing of revenue recognition		
Goods transferred and services rendered at a point in time	**632,657**	469,719
Total revenue from contracts with customers	**632,657**	469,719

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**483,064**	306,251
Depreciation of property, plant and equipment	**10,986**	11,579
Depreciation of right-of-use assets	**4,043**	2,503
Research and development costs	**25,451**	18,840
Loss on disposal of items of property, plant and equipment	**381**	5
Impairment of trade receivables	**1,282**	2,142
Foreign exchange differences, net	**4,297**	18,567

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax ("**CIT**") rate of 25% during the period (2022: 25%). During the period, Ximei Resources (Guangdong) Limited, a subsidiary of the Company, qualified as a high and new technology enterprise and enjoyed a preferential income tax rate at 15% (2022: 15%).

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – The PRC		
Charge for the period	**8,098**	5,785
Overprovision in prior periods	**–**	(366)
Current – Hong Kong		
Charge for the period	**3,044**	10,092
Total tax charge for the period	**11,142**	15,511

7. DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to shareholders of the Company of RMB44,819,000 (six months ended 30 June 2022: RMB62,102,000), and the weighted average number of ordinary shares in issue during the period less shares held for share award scheme of the Company of 359,652,030 (six months ended 30 June 2022: 300,000,000).

No adjustment has been made to the basic earnings per share amount presented for each of the six months ended 30 June 2023 and 2022 for a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment of RMB40,839,000 (six months ended 30 June 2022: RMB56,660,000).

During the six months ended 30 June 2023, plant and machinery with a net book value of RMB1,381,000 (six months ended 30 June 2022: RMB5,000) were disposed of the Group, resulting in a net loss on disposal of RMB381,000 (six months ended 30 June 2022: RMB5,000).

10. TRADE AND BILLS RECEIVABLES

An ageing analysis of the trade and bills receivables as at 30 June 2023 and 31 December 2022, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**244,348**	163,636
1 to 2 months	**28,411**	50,335
2 to 3 months	**46,770**	20,217
Over 3 months	**30,782**	2,340
	350,311	236,528

11. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2023 and 31 December 2022, based on the invoice date, is as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**101,918**	75,942
1 to 2 months	**6,467**	2,509
2 to 3 months	**2,688**	612
Over 3 months	**4,428**	7,243
	115,501	86,306

12. SHARE CAPITAL

	30 June 2023		31 December 2022	
		Equivalent to		Equivalent to
	HK$'000	***RMB'000***	*HK$'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Authorised:				
1,000,000,000 ordinary shares of HK$0.01 each	**10,000**		10,000	
Issued and fully paid:				
360,000,000 ordinary shares of HK$0.01 each	**3,600**	**3,228**	3,600	3,228

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT REVIEW

In the first half of 2023, the global economy experienced a slowdown in its high-speed growth due to the impact of macroeconomic factors in China and abroad. This led to a shift in the global supply and demand balance, which resulted in the recovery of downstream demand being slower than anticipated. As such, price competition in the industry intensified, with all major product prices declining year-on-year. In order to quickly respond to changes in the market environment, the Company adhered to the general keynote of "seeking progress while maintaining stability", actively changed its business mindset, maintained a reasonable pace of production, continuously optimised its product portfolio, and made every effort to develop new market segments. Despite the overall sluggish demand, the Company experienced certain growth in production and sales volume in the first half of the year, and achieved a total revenue of approximately RMB632.7 million, representing an increase of 34.7% over the same period of last year, delivering satisfactory performance. Meanwhile, in addition to the increase in unit prices of raw materials purchased, expanding production capacity led to a significant year-on-year increase in fixed costs, which caused a decline in the Group's gross profit margin during the first half of 2023 and lowered the profitability. During the six months ended 30 June 2023 (the "**Reporting Period**"), the Group recorded a profit of approximately RMB48.8 million, representing a decrease of 22.1% as compared to the same period of last year.

MARKET AND INDUSTRY REVIEW

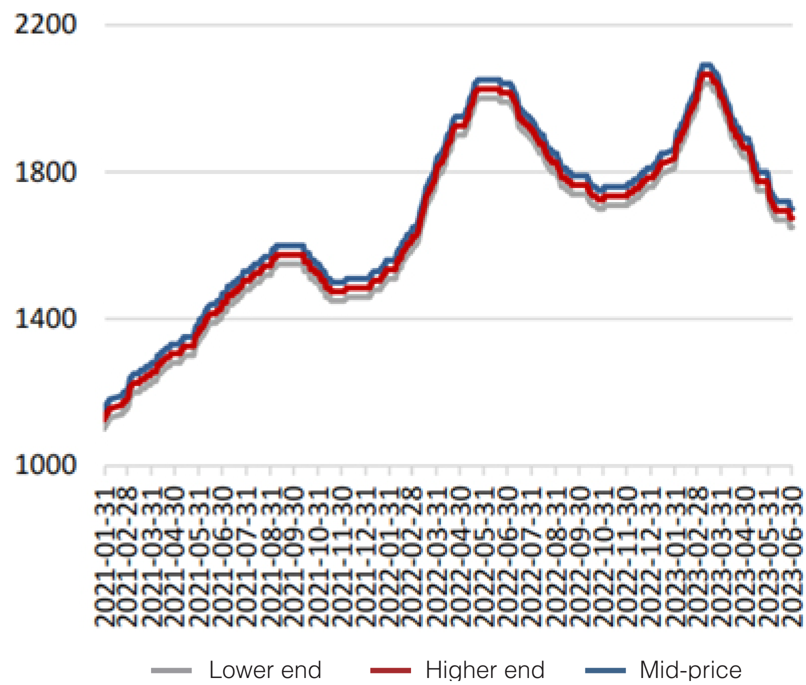
Tantalum and niobium are silver-white metals with excellent properties such as high melting point, high strength, high corrosion resistance, good ductility, wear resistance and superconductivity. Their related end products are widely used in semiconductor, high-end electronics, aerospace, defense and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

1. Market review of tantalum-based products

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

Tantalum and niobium producers actively stockpiled at the beginning of 2023, resulting in the rising prices of tantalum-based products. After peaking in March, prices of tantalum-based products began to show a downward trend as demand in the downstream consumption sector weakened significantly and customers' demand for reserve decreased. According to asianmetal.cn, as of 30 June 2023, the annual average ex-factory price of 99.5% ditantalum pentoxide in China decreased by 17% year-on-year.

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

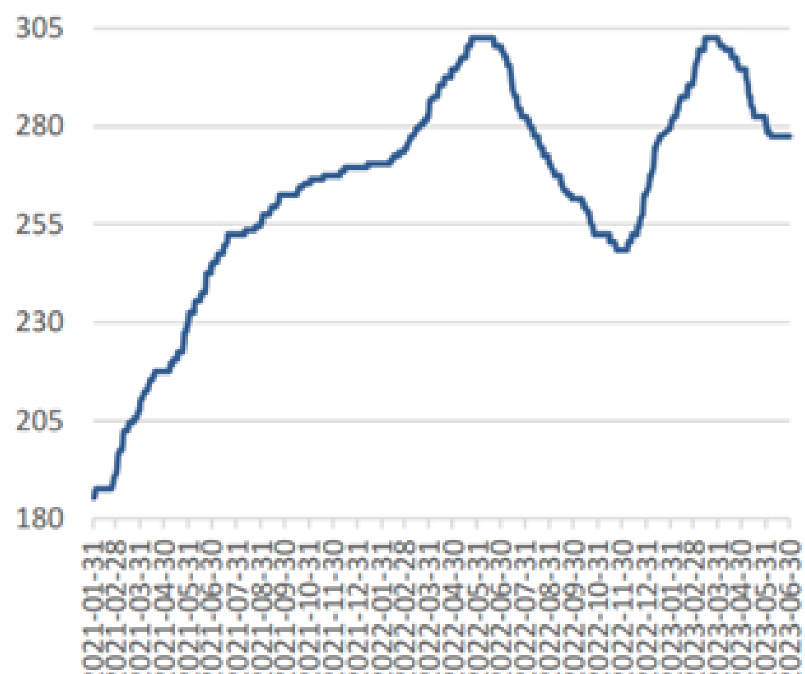


Source: asianmetal.cn

2. **Market review of niobium – based products**

Niobium mines are mainly located in Brazil and Canada, with Brazil alone accounting for 85% of the world's niobium reserves and having a highly concentrated supply. Niobium is widely used in niobium steel, superalloy, new energy, optical glass, superconducting materials and other downstream areas, with over 90% of niobium mainly used in the production of high-strength niobium steel. In the first half of 2023, the rapid development of defence and military, aerospace and other sectors provided certain support to the downstream demand for niobium-based products. According to asianmetal.cn, as of 30 June 2023, the annual average ex-factory price of 99.5% diniobium pentoxide in China decreased by 8% year-on-year.

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



Source: asianmetal.cn

In recent years, with the accelerated development of China's military industry, aerospace, and the replacement of imported products by domestic production for new materials, tantalum and niobium, as strategic and fundamental metals for microelectronic materials, welcomed a new round of development opportunities and are expected to have sustained growth in the long term. Taking tantalum metal as an example, tantalum capacitors have many excellent properties such as small size, large capacity, and high stability, making them indispensable electronic components for high-reliability military equipment. In addition, tantalum and niobium are also essential additives for superalloys used in aircraft engines and gas turbines. According to the research data of Galaxy Securities, nearly 50% of China's demand for superalloy is met by importation, with a supply gap in the market exceeding 20,000 tonnes, which makes it necessary to address various technological bottlenecks and promote the transformation and upgrading of the new materials industry so as to support the strategic development of China. On 5 March 2023, the Ministry of Finance of the PRC announced a national defense budget of approximately RMB1,553.7 billion for 2023, representing a year-on-year increase of 7.2% and the highest growth rate in the last four years. This increase in defense spending is expected to drive demand growth in the tantalum and niobium industry. In the civil sector, superalloys are important raw materials for civil marine gas turbines with a vast market space. According to relevant data from the MIIT, in the first half of 2023, the three major indicators of China's shipbuilding industry increased comprehensively. In particular, the completed shipbuilding output increased by 14.2% year-on-year, new orders increased by 67.7% year-on-year, and the backlog of orders increased by 20.5% year-on-year. In summary, driven by national defense construction, equipment upgrading and import substitution, the defense and military industry will continue to grow at a high speed, leading to the increase in demand for tantalum and niobium.

BUSINESS REVIEW

Continuously optimising production to achieve stable and high production

In the first half of 2023, facing the complicated and changing internal and external environments, all staff of Ximei rose to the challenge with hard work, closely focused on the business objectives set at the beginning of the year, the implementation of strategic initiatives, and improving the quality and amount of production, continuously optimised the production, and made progress while maintaining stability, thereby achieving stable and high production. In the first half of the year, the Group produced a total of 1,058 tonnes of hydrometallurgical products and 360 tonnes of pyrometallurgical products, fully utilizing the existing production capacity to achieve a significant year-on-year increase in production, which exceeded the half-yearly target and set a new record for the operating results.

Improving product quality control and leading process innovation

The Group always persists in technological innovation, focuses on quality enhancement, and strengthens its long-term core competitiveness. In the first half of 2023, by continuously strengthening product quality control and promoting new product innovation and research and development, the high-purity project and high-performance tantalum powder project maintained smooth and efficient operation and stable product quality, with significant improvement in the first-time pass rates and core technical indicators of all major products as compared to the past. For new product research and development, significant progress was made in the research and development of high-end products, and certain test products were approved by customers. As of 30 June 2023, the Group was granted a total of 100 patents, including 15 new patents granted during the Reporting Period. In terms of cost management and control, the Company utilized the advantages of industrial chain integration, made full use of comprehensive resource recycling, and unswervingly advanced cost reduction and efficiency enhancement, which significantly reduced the unit consumption of certain products and established the core competitive advantages of relevant products.

Promoting project construction through scientific planning and coordinated arrangements

In the first half of 2023, the Group paid close attention to market feedback and reasonably promoted the extension of the integrated industrial chain. The project companies made coordinated arrangements while ensuring construction safety and overall benefits, leading to stable operation of project construction. In particular, during the Reporting Period, the trial production of the new high-purity project of Ximei Guangdong was approved, entering into a new market of high value-added products. For the Ximei Guizhou project, the Group closely monitored the market, coordinated and arranged for equipment deployment, further increased the production capacity, and passed the certifications of "Innovative Small and Medium-sized Enterprise in Guizhou Province" and "Specialised and Innovative Small and Medium-sized Enterprise in Guizhou Province". In addition, Ximei Guiyang, Ximei Leizhou and other projects under construction were progressing in an orderly manner based on coordinated plans to ensure timely and high-quality completion of the projects.

Making every effort to develop the market and consolidate fundamental management

In the first half of 2023, facing multiple market challenges, the Group focused on core customers and products based on customers' needs on the sales side, created innovative marketing models, expanded the market through multiple measures, and achieved a total revenue of approximately RMB632.7 million, representing an increase of 34.7% over the same period of last year, with significant breakthroughs and optimization of customer bases and distributions. For procurement, the Group coordinated the international and domestic markets, actively explored cost-effective resources, and flexibly adjusted procurement strategies to maintain relatively low procurement costs while ensuring stable operation of production. For management, the Group persisted in improving quality and efficiency to empower business development. It continuously optimized the management system and organization system, carried out comprehensive human resources assessment and staff training, streamlined its staffing, optimized the remuneration and incentive system, and established a human resources system for high-quality development.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Sales of products	**631,875**	**99.9%**	469,719	100.0%
Provision of processing services	**782**	**0.1%**	–	–
Total revenue	**632,657**	**100.0%**	469,719	100.0%

During the six months ended 30 June 2023, the Group was principally engaged in sale of tantalum – and niobium – based hydrometallurgical oxide and tantalum – and niobium – based pyrometallurgical metal products. In particular, hydrometallurgical oxide products mainly include tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, and pyrometallurgical products mainly include tantalum powder, tantalum bars, tantalum ingots, niobium bars, niobium ingots, molten niobium and ferroniobium.

The Group's total revenue increased by approximately RMB162.9 million or 34.7% from approximately RMB469.7 million for the six months ended 30 June 2022 to approximately RMB632.7 million for the Reporting Period. The increase was mainly due to the increase in sales volume of the Group's key products.

Cost of sales

Cost of sales represented the direct costs of production, which comprised raw materials costs, factory overheads, electricity and fuel costs, labour costs and processing fees in respect of our processed products, and inventory costs in respect of our trading products. For the two periods for the six months ended 30 June 2023 and 2022, our cost of sales amounted to approximately RMB483.1 million and RMB306.3 million, respectively.

Our materials costs mainly represented the cost for purchasing tantalum and niobium ores, and accounted for approximately 83.5% and 82.6% of our total cost of sales for the Reporting Period and the six months ended 30 June 2022, respectively. Our cost of sales increased by approximately RMB176.8 million or 57.7% from approximately RMB306.3 million for the six months ended 30 June 2022 to approximately RMB483.1 million for the Reporting Period. The increase in proportion of cost of sales was mainly due to the increase in unit prices of raw materials purchased and a significant year-on-year increase in fixed costs resulting from expanding production capacity.

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB13.9 million or 8.5% from approximately RMB163.5 million for the six months ended 30 June 2022 to approximately RMB149.6 million for the Reporting Period, mainly driven by the decrease in gross profit margin of our products.

Our gross profit margin decreased from approximately 34.8% for the six months ended 30 June 2022 to approximately 23.6% for the Reporting Period. Such decrease during the Reporting Period was mainly attributable to the increase in unit prices of raw materials purchased and a significant year-on-year increase in fixed costs resulting from expanding production capacity during the Reporting Period.

Other income and gains, net

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

Our other income and gains, net increased by approximately RMB2.4 million or 106.6% from approximately RMB2.3 million for the six months ended 30 June 2022 to approximately RMB4.7 million for the Reporting Period. Such increase was mainly attributable to the increase in government grants.

Selling and distribution expenses

Our selling and distribution expenses primarily comprised expenses for transportation and packaging for delivery of products, salaries and benefits for personnel of our sales and procurement department and travelling and entertainment expenses. Our selling and distribution expenses increased by approximately RMB2.4 million or 47.8% from approximately RMB5.2 million for the six months ended 30 June 2022 to approximately RMB7.6 million for the Reporting Period. Such increase was mainly attributable to the increase in delivery and transportation costs.

Administrative expenses

Our administrative expenses primarily comprised expenses for research and development expenses and staff costs of our administrative and management staff. Our administrative expenses increased by approximately RMB16.5 million or 32.1% from approximately RMB51.4 million for the six months ended 30 June 2022 to approximately RMB67.9 million for the Reporting Period. Such increase was mainly attributable to the increase in remuneration of new employees and research and development costs due to commencement of operation of two new major pyrometallurgical projects of the Group during the Reporting Period.

Our research and development costs amounted to approximately RMB25.5 million and RMB18.8 million for the Reporting Period and the six months ended 30 June 2022, respectively. Such costs were primarily used to improve and optimise the production process, especially the extraction production lines in respect of high purity products, and the resource treatment for sewage, to reduce the outflow of sewage and achieve the recycling of resources.

Other expenses

Our other expenses mainly comprised net foreign exchange differences. Our other expenses decreased by approximately RMB15.7 million from approximately RMB22.3 million for the six months ended 30 June 2022 to approximately RMB6.6 million for the Reporting Period. Such decrease was mainly due to the fact that the Company established a specialized research team to address exchange rate fluctuations, which significantly reduced foreign exchange losses.

Finance costs

Our finance costs mainly represented interest on bank borrowings. Our finance costs for the Reporting Period and the six months ended 30 June 2022 amounted to approximately RMB10.9 million and RMB8.6 million, respectively. The finance costs increased by approximately RMB2.3 million or 26.7% as comparing to that of last year, mainly as a result of the financing interests of relevant projects, which were previously capitalized, to expenses incurred during the Reporting Period.

Income tax expense

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

Our income tax expense for the Reporting Period and the six months ended 30 June 2022 amounted to approximately RMB11.1 million and RMB15.5 million, respectively. Our effective tax rate for the Reporting Period and the six months ended 30 June 2022 was approximately 18.6% and 19.8%, respectively. The decrease in our effective tax rate was mainly due to the decrease in profit before taxation and the full utilization of national tax deduction policy for additional deduction of research and development expenses. The details are set out in Note 6 to condensed consolidated financial statements of this announcement.

Profit for the Reporting Period

As a result of the foregoing, the Group recorded net profit for the Reporting Period and the six months ended 30 June 2022 of approximately RMB48.8 million and RMB62.7 million, respectively, representing a decrease of approximately RMB13.9 million or 22.1%. Our net profit margin was approximately 7.7% and 13.3% for the Reporting Period and the six months ended 30 June 2022, respectively. The decrease in net profit margin was mainly attributable to the increase in unit prices of raw materials purchased and the transfer of sizeable projects under construction to fixed assets, resulting in an increase in relevant expenses.

Profit attributable to shareholders of the Company

As a result of the foregoing, the Group recorded profit attributable to shareholders of the Company for the Reporting Period and the six months ended 30 June 2022 of approximately RMB44.8 million and RMB62.1 million, respectively, representing a decrease of approximately RMB17.3 million or 27.8%.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

During the Reporting Period, we financed our operations by cash generated from operating activities, bank borrowings and net proceeds from the listing of shares of the Company on the Main Board of the Stock Exchange (the "**Listing**"). As at 30 June 2023, we had cash and cash equivalents of approximately RMB170.7 million (as at 31 December 2022: approximately RMB325.4 million). In the future, we intend to finance our operations by cash generated from operating activities, bank borrowings and net proceeds from the Listing.

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

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

Cash flows

During the Reporting Period, the Group's cash and bank balances decreased by approximately RMB153.1 million, which mainly comprised the net cash used in operating activities with the amount of approximately RMB43.7 million, net cash used in investing activities with the amount of approximately RMB53.6 million, net cash used in financing activities with the amount of approximately RMB55.9 million, and the negative effect of foreign exchange rate changes of approximately RMB1.6 million.

CAPITAL STRUCTURE

Indebtedness

The total indebtedness of the Group as at 30 June 2023 was approximately RMB450.7 million (as at 31 December 2022: approximately RMB482.5 million). During the Reporting Period, the decrease in the Group's indebtedness was mainly due to the effective improvement of cash flow.

Gearing ratio

As at 30 June 2023, the Group's gearing ratio was approximately 26.5% (as at 31 December 2022: 15.7%), calculated as the total bank borrowings, less cash and bank balances, divided by total equity as at the end of the relevant period multiplied by 100%. The increase was mainly due to the year-on-year decrease in cash and bank balances at the end of the Reporting Period.

Pledge of assets

As at 30 June 2023, our bank borrowings were secured by the pledge of certain of our Group's leasehold land and property, plant and equipment with aggregate carrying amounts of approximately RMB49.4 million and RMB43.0 million, respectively.

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 aggregate carrying amounts of approximately RMB20.5 million and RMB47.6 million, respectively.

Capital expenditures

Our capital expenditures primarily comprised expenditures for purchases of property, plant and equipment. Our capital expenditures amounted to approximately RMB40.8 million and RMB56.7 million for the Reporting Period and the six months ended 30 June 2022, respectively.

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

Foreign currency exposure

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

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

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 30 June 2023, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings (as at 31 December 2022: nil).

CAPITAL COMMITMENT

As at 30 June 2023, the Group had capital commitment of approximately RMB112.8 million (as at 31 December 2022: approximately RMB155.8 million).

SEGMENT INFORMATION

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

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the six months ended 30 June 2023, the Group had not made any material acquisition or disposal.

SIGNIFICANT INVESTMENTS

The Company had not held any significant investments during the six months ended 30 June 2023.

Saved as disclosed above, there were no other specific plans for material investments or capital assets as at 30 June 2023.

FUTURE OUTLOOK

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

With the strategic positioning of "professional, integrated, large-scale, high-end, international and capital-based" operation, the Group will closely focus on the key tasks of "project construction" and "quality enhancement", implement the dual-prevention mechanism for production safety, steadily promote project construction, achieve and exceed annual production targets, establish a production and sales coordination mechanism, and spare no effort in exploring new markets. It will continue to optimize its product portfolio and production processes, play a leading role in innovation, and deepen its efforts in cost reduction and efficiency enhancement to achieve the goal of operational efficiency. Meanwhile, the Group will focus on customer service, consolidate fundamental management, cultivate talents, and strengthen the cadre team to steadily move towards the strategic goal of "becoming a world leading manufacturer and operator of tantalum- and niobium-based products".

HUMAN RESOURCES AND TRAINING

We believe that our long-term growth depends on the expertise and experience of our employees. We primarily recruit our personnel through campus recruiting, career fairs, recruitment websites and internal recommendation. We provide regular training programmes to our employees, including, among others, introductory training, safety training and technical training, to enhance their skill and knowledge. As at 30 June 2023, the Group had a total of 622 employees. For the six months ended 30 June 2023, the Group's total remuneration paid to employees was approximately RMB47.7 million.

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

DIVIDENDS

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: nil).

OTHER INFORMATION

PRINCIPAL ACTIVITIES

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

PUBLIC FLOAT

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

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

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

GOING CONCERN

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

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 12 March 2020. Net proceeds from the placing of the shares were approximately RMB92.7 million (equivalent to approximately HK$105.5 million), after deduction of the underwriting commission and relevant expenses. As at 30 June 2023, the Group had used net proceeds of approximately RMB87.9 million. The following table illustrates the status of the use of net proceeds according to the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 26 February 2020 ("**Prospectus**") as at 30 June 2023:

	%	**Planned use of proceeds as disclosed in the Prospectus** *(RMB million)*	**Actual utilised amount as at 30 June 2023** *(RMB million)*	**Unutilised amount as at 30 June 2023** *(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 expenses for setting up the new production facilities	3.9%	3.6	3.6	–
Financing five research and development projects	17.9%	16.6	13.6	3.0
Strengthening the sales network in Europe and sourcing channels in Brazil	3.5%	3.2	1.4	1.8
General working capital	9.8%	9.1	9.1	–
Total	100.0%	92.7	87.9	4.8

The unutilised amount of net proceeds of approximately RMB4.8 million is expected to be completely utilised by December 2023.

CORPORATE GOVERNANCE FUNCTIONS

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

During the Reporting Period and up to the date of this announcement, the Company has complied with the code provisions, other than code provisions C.2.1 of the CG Code as set out in Appendix 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 on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Wu taking up both roles. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW BY AUDIT COMMITTEE

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

Our Audit Committee has three members, namely Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and 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 financial information in this announcement has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited financial statements, this results announcement and the interim report of the Company for the six months ended 30 June 2023 with the management of the Group and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements in this announcement complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

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

DISCLOSURE OF INFORMATION

The interim results announcement for the six months ended 30 June 2023 is published on the website of the Stock Exchange (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.ximeigroup.com). The interim report for 2023 will be sent to shareholders of the Company in due course, and will be published on the website of the Stock Exchange (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.ximeigroup.com) under "Investor Relations".

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

Hong Kong, 7 August 2023

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