

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



2023 INTERIM 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 recent 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 is recognized as a national “Little Giant” specialised and innovative enterprise, 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, the Guangdong Provincial Doctoral Workstation and a provincial intellectual property demonstration enterprise. The Group has established several scientific research platforms such as the provincial and municipal engineering technology centers and provincial and municipal technology specialist workstations. The tantalum- and niobium-based new materials projects of Ximei Leizhou and CNNC Huazhong 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, which will rank among the top 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 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.

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wu Lijue (*Chairman*)
Mr. Mao Zili

Non-executive Director

Ms. Ouyang Ming

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

Mr. Wu Lijue
Mr. Chan Hon Wan (*HKICPA*)

REGISTERED OFFICE

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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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CORPORATE INFORMATION (CONTINUED)

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AUDITOR

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

PRINCIPAL BANKERS

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Fogang County, Qingyuan City
Guangdong Province
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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

	Six months ended 30 June		% Changes Increase/ (decrease)
	2023 RMB' 000 (Unaudited)	2022 RMB'000 (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	As at	% Changes Increase/ (decrease)
	30 June 2023 (Unaudited)	31 December 2022 (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.

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.

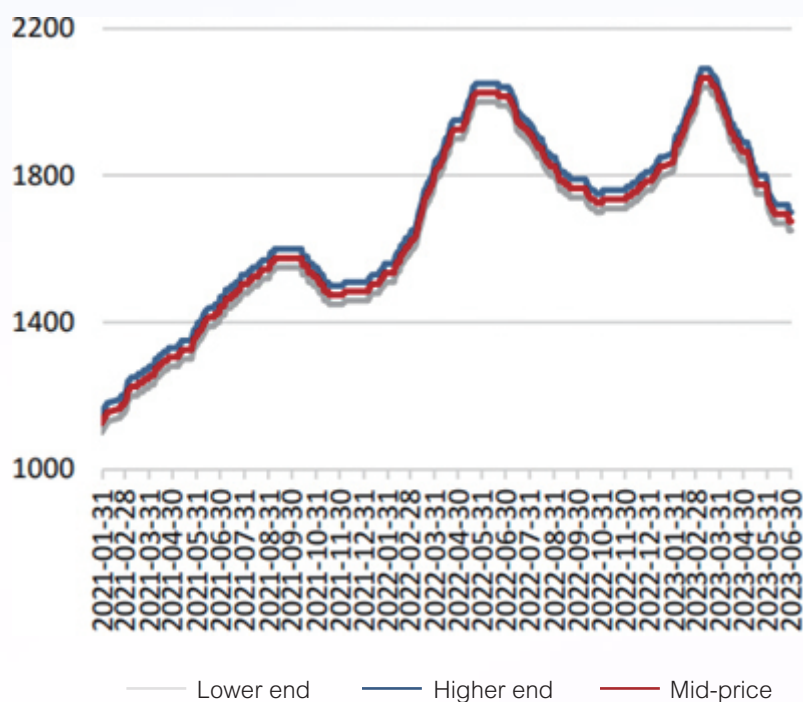
1. Market review of tantalum-based products

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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



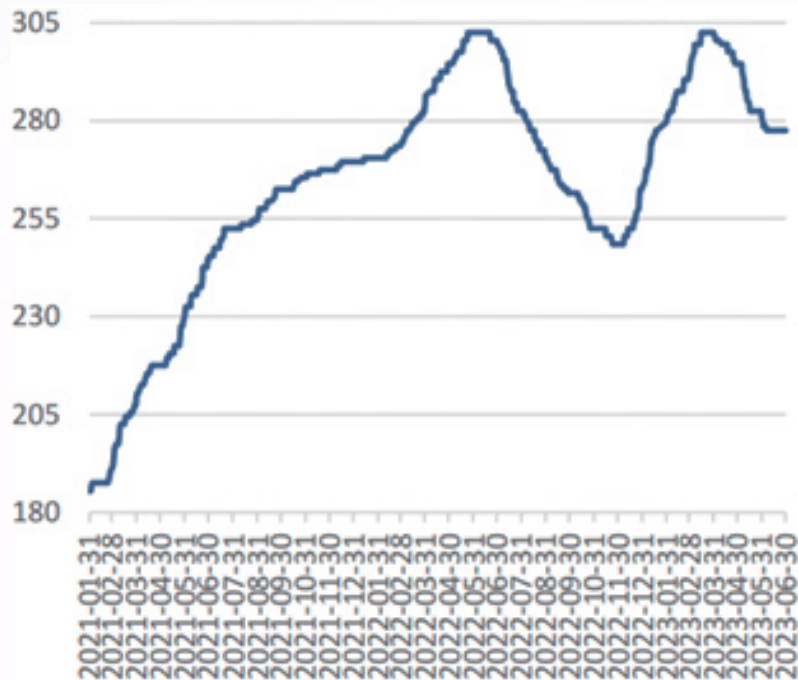
Source: asianmetal.cn

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 RMB' 000 (Unaudited)	%	2022 RMB' 000 (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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 of Hong Kong Limited (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 bank balances, availability of bank facilities, net proceeds from the Listing and cash flows from our operations, our Directors are of the view that, after due and careful inquiry, we have sufficient working capital for at least the next 12 months commencing from the date of this report.

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. The cash flow details of the Group are set out in page 29 under “Interim Condensed Consolidated Statement of Cash Flows” in this report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Foreign currency exposure

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

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

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 30 June 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

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 30 June 2023, 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 Securities and Futures Ordinance (the "SFO"), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in the shares in the Company:

Name of Director	Capacity/ Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding %
Mr. Wu Lijue (Note 2)	Interest in controlled corporation	205,000,000 (L)	56.94%

Notes:

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

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

OTHER INFORMATION (CONTINUED)

(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 30 June 2023, 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 30 June 2023, 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 30 June 2023, 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. (江西贛鋒鋳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). So far as was known to the Directors, interests held by Ganfeng Lithium Group Co., Ltd was indirectly held through GFL Investment (Hong Kong) Limited, its indirect wholly-owned subsidiary and an investment holding company.

OTHER INFORMATION (CONTINUED)

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 June 2023, 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.

SHARE OPTION SCHEME

On 19 February 2020, the Company conditionally adopted a share option scheme (the “**Share Option Scheme**”). Under the Share Option Scheme, the Board may, at their absolute discretion, at any time within a period of ten years commencing from 19 February 2020 offer to grant to any eligible persons, including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, 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. A summary of the terms of the Amended Share Option Scheme is set out in the section headed “Report of the Directors” in the Company’s annual report for the year ended 31 December 2022.

No share option has been granted by the Company under the Amended Share Option Scheme since its adoption. During the Reporting Period, no share option was granted, exercised, cancelled or lapsed pursuant to the Amended Share Option Scheme.

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 2023 and 30 June 2023.

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 Share Award Scheme constitutes a share scheme involving the grant of new Shares for the purposes of the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 and the section headed “Report of the Directors” in the Company’s annual report for the year ended 31 December 2022 for further details.

No share award has been granted by the Company under the Share Award Scheme since its adoption. During the Reporting Period, no share award was granted, vested, cancelled or lapsed pursuant to the Share Award Scheme. As at 30 June 2023, the trustee has purchased an aggregate of 552,500 shares of the Company on the Stock Exchange for the purpose of the Share Award Scheme.

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 2023 and 30 June 2023.

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

UPDATE ON DIRECTORS' AND SUPERVISORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Director(s) of the Company since the last published annual report and up to the date of this report are set out below:

Mr. Lau Kwok Fai Patrick was appointed as the independent non-executive director of Zhongtian Construction (Hunan) Group Limited on 10 March 2023, a company which was listed on the Main Board of the Stock Exchange (stock code: 2433).

Save as disclosed, the Company is not aware of any changes in the information of directors or supervisors that need to be disclosed pursuant to the requirements under Rule 13.51B of the Listing Rules.

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

During the Reporting Period 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.

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.

OTHER INFORMATION (CONTINUED)

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.

USE OF PROCEEDS FROM 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, capitalised terms used herein shall have the same meanings as defined in the Announcements), a total of 60,000,000 Subscription Shares (all being ordinary shares of the Company) were issued and allotted to the Subscriber, GFL Investment (Hong Kong) Limited, at the Subscription Price of HK\$4.0 (equivalent to RMB3.44) 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 (equivalent to RMB3.34) 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 (equivalent to RMB3.76) 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 (equivalent to RMB3.91) 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 (approximately equivalent to RMB200.0 million) in aggregate. After deducting related professional fees and all related expenses of about HK\$7.2 million (approximately equivalent to RMB6.2 million) borne by the Company under the Subscription, the net proceeds of the Subscription amount to approximately HK\$232.8 million (equivalent to RMB193.8 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 30 June 2023, the Group had used net proceeds of approximately RMB191.0 million, the following table illustrates the status of the use of net proceeds:

	Planned use of the net proceeds as disclosed in the Announcements %	(RMB million)	Amount of net proceeds brought forward as at 1 January 2023 (RMB million)	Actual utilised amount as at 30 June 2023 (RMB million)	Unutilised amount as at 30 June 2023 (RMB million)
Investment in fixed assets and general working capital purposes	100%	193.8	100.1	191.0	2.8

The unutilised amount of net proceeds of approximately RMB2.8 million is expected to be completely utilised by December 2023.

OTHER INFORMATION (CONTINUED)

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 report, 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 report.

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.

OTHER INFORMATION (CONTINUED)

The financial information in this interim report has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited financial statements, the results announcement and this 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 interim report complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENT AFTER THE REPORTING PERIOD

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

DISCLOSURE OF INFORMATION

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

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

Hong Kong, 7 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) 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
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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2023

	Notes	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
Non-controlling interest		990,692	940,819
		65,291	61,287
Total equity		1,055,983	1,002,106

Mr. Wu Lijue
Director

Mr. Mao Zili
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2023

	Attributable to shareholders of the Company												Total equity (unaudited) RMB'000
	Issued capital (unaudited) RMB'000	Share premium account (unaudited) RMB'000	Shares held for share award scheme (unaudited) RMB'000	Capital reserve (unaudited) RMB'000	Merger reserve (unaudited) RMB'000	PRC statutory reserve (unaudited) RMB'000	Specific reserve (unaudited) RMB'000	Exchange fluctuation reserve (unaudited) RMB'000	Other reserve (unaudited) RMB'000	Retained profits (unaudited) RMB'000	Total (unaudited) RMB'000	Non-controlling interest (unaudited) RMB'000	
At 1 January 2023	3,228	328,184*	(372)*	35,793*	8,803*	71,769*	3,879*	9,345*	9*	480,181*	940,819	61,287	1,002,106
Profit for the period	-	-	-	-	-	-	-	-	-	44,819	44,819	4,004	48,823
Other comprehensive income/(loss) for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(30)	-	-	(30)	-	(30)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	-	-	6,693	-	-	6,693	-	6,693
Total comprehensive income for the period	-	-	-	-	-	-	-	6,663	-	44,819	51,482	4,004	55,486
Utilisation of specific reserve, net	-	-	-	-	-	-	(163)	-	-	163	-	-	-
Purchase of shares under share award scheme	-	-	(1,609)	-	-	-	-	-	-	-	(1,609)	-	(1,609)
At 30 June 2023	3,228	328,184*	(1,981)*	35,793*	8,803*	71,769*	3,716*	16,008*	9*	525,163*	990,692	65,291	1,055,983
At 1 January 2022	2,712	128,676	-	34,347	8,803	64,400	8,095	(2,865)	9	378,600	622,777	-	622,777
Profit for the period	-	-	-	-	-	-	-	-	-	62,102	62,102	570	62,672
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,407	-	-	1,407	-	1,407
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	-	-	89	-	-	89	-	89
Total comprehensive income for the period	-	-	-	-	-	-	-	1,496	-	62,102	63,598	570	64,168
Utilisation of specific reserve, net	-	-	-	-	-	-	(627)	-	-	627	-	-	-
Deemed disposal of partial interest in a subsidiary	-	-	-	1,446	-	-	-	-	-	-	1,446	58,554	60,000
At 30 June 2022	2,712	128,676	-	35,793	8,803	64,400	7,468	(1,369)	9	441,329	687,821	59,124	746,945

* These reserve accounts comprise the consolidated reserves of RMB987,464,000 (31 December 2022: RMB937,591,000) in the unaudited condensed consolidated statement of financial position as at 30 June 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(40,705)	(152,219)
Income tax paid	(2,961)	(14,640)
Net cash flows used in operating activities	(43,666)	(166,859)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in an associate	(13,989)	–
Purchases of items of property, plant and equipment	(40,839)	(56,660)
Interest received	1,246	655
Net cash flows used in investing activities	(53,582)	(56,005)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	447,658	425,141
Repayment of bank loans	(479,543)	(267,047)
Repayment of lease liabilities	(12,266)	(8,128)
Interest paid	(10,128)	(8,022)
Purchase of shares held for share award scheme	(1,609)	–
Capital injection in a subsidiary from a non-controlling equity holder of the subsidiary	–	60,000
Net cash flows from/(used in) financing activities	(55,888)	201,944
NET DECREASE IN CASH AND CASH EQUIVALENTS	(153,136)	(20,920)
Cash and cash equivalents at beginning of period	325,414	169,939
Effect of foreign exchange rate changes, net	(1,628)	(2,168)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	170,650	146,851
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	170,650	146,851

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

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 RMB'000 (Unaudited)	2022 RMB'000 (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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

3. OPERATING SEGMENT INFORMATION (Continued)

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 RMB' 000 (Unaudited)	2022 RMB' 000 (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 RMB' 000 (Unaudited)	2022 RMB' 000 (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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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 RMB'000 (Unaudited)	2022 RMB'000 (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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 by the Group, resulting in a net loss on disposal of RMB381,000 (six months ended 30 June 2022: RMB5,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

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 RMB'000 (Unaudited)	31 December 2022 RMB'000 (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 RMB'000 (Unaudited)	31 December 2022 RMB'000 (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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

12. SHARE CAPITAL

	30 June 2023		31 December 2022	
	HK\$' 000 (Unaudited)	Equivalent to RMB' 000 (Unaudited)	HK\$'000 (Audited)	Equivalent to RMB'000 (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

13. CAPITAL COMMITMENTS

The Group had the following capital commitments as at 30 June 2023 and 31 December 2022:

	30 June 2023 RMB' 000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and equipment	97,445	125,081
Capital contributions to an associate	15,382	30,682
	112,827	155,763

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

14. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in the financial information, the Group had the following transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Lease payments for properties:			
Jiawei Resources Limited (a fellow subsidiary)	(i)	187	174
Mr. Wu Lijue (a director)	(ii)	693	541
		880	715

Notes:

- (i) The lease payments for a property located in Hong Kong were paid or payable by the Group to a fellow subsidiary based on terms as agreed by the relevant parties as set out in a tenancy agreement.
- (ii) The lease payments for properties located in the PRC were paid or payable by the Group to Mr. Wu, a director and the Company's controlling shareholder, based on terms as agreed by the relevant parties as set out in the tenancy agreements.
- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short term employee benefits	2,557	2,227
Post-employment benefits	133	228
Total compensation paid to key management personnel	2,690	2,455

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2023

15. 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 values	
	30 June 2023 RMB' 000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB' 000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial liabilities				
Bank borrowings	450,657	482,542	430,721	448,939

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and lease liabilities 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 amounts at which the instruments 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.

16. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

This unaudited interim condensed consolidated financial information was approved by the Board on 7 August 2023.