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
ANNUAL REPORT

CORPORATE PROFILE

Ximei Resources Holding Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**" or "**Ximei Resources**" or "**we**" or "**us**") was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in March 2020 and the Company has become the holding company of the Group for the purpose of the listing. The Company holds three subsidiaries, namely Xinjia Group Limited (新佳集團有限公司), Ximei Resources (Hong Kong) Limited (稀美資源(香港)有限公司) (formerly known as Xite Group Limited (稀特集團有限公司)) and Ximei Resources (Guangdong) Limited* (稀美資源(廣東)有限公司) ("**Ximei Guangdong**") (formerly known as Guangdong Zhiyuan New Material Co., Ltd. (廣東致遠新材料有限公司)). There are three wholly-owned 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, defense and military, optical and medical fields. The Group has passed the quality, environment, occupational health, intellectual property and other management systems certification and the Responsible Minerals Initiative (RMI) annual audit and become a member of the TIC and ITSCI and strictly complies with relevant laws, regulations and international rules.

The implementation entities of the Group's hydrometallurgical projects include Ximei Guangdong and Ximei Leizhou, being its wholly-owned subsidiaries, and CNNC Huazhong, being its associate. In particular, Ximei Guangdong is a world leading tantalum- and niobium-based hydrometallurgical enterprise, focusing on the research and development and production of tantalum heptafluorotantalate, niobium pentoxide, tantalum pentoxide, high-purity niobium pentoxide, high-purity tantalum pentoxide and tantalum powder. In the past three years, the Group's hydrometallurgical products gained a market share of nearly 40% (note 1) in China. The Group is a national high-tech enterprise, and has been recognized as an innovative enterprise of Guangdong Province, an excellent manufacturing enterprise of Guangdong Province, a provincial single champion product enterprise in manufacturing industry of Guangdong Province, a high-growth enterprise of Guangdong Province, a "Little Giant" specialized and innovative enterprise, doctoral research center of Guangdong Province and a national enterprise with intellectual property advantages. The Group has established provincial and municipal engineering technology research center, and provincial and municipal technology specialist workstation. Ximei Leizhou has a project with a total planned annual production capacity of 3,000 tons of high-performance tantalum- and niobium-based oxide and CNNC Huazhong has a project with a planned annual production capacity of 1,000 tons of tantalum- and niobium-based new materials, both of which are progressing steadily.

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

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

Notes:

1. Reference is made to the statistics of Ximei Resources

* *For identification purpose only*

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wu Lijue *(Chairman)*
Mr. Mao Zili
Ms. Huang Jieli (appointed on 25 March 2024)

Non-executive Director

Ms. Ouyang Ming

Independent Non-executive Directors

Mr. Lau Kwok Fai Patrick
Mr. Zhong Hui
Mr. Yin Fusheng (resigned on 5 February 2024)
Ms. Shi Ying (appointed on 25 March 2024)

AUDIT COMMITTEE

Mr. Lau Kwok Fai Patrick *(Chairman)*
Mr. Zhong Hui
Mr. Yin Fusheng (resigned on 5 February 2024)
Ms. Shi Ying (appointed on 25 March 2024)

NOMINATION COMMITTEE

Mr. Wu Lijue *(Chairman)*
Mr. Zhong Hui
Mr. Yin Fusheng (resigned on 5 February 2024)
Mr. Lau Kwok Fai Patrick (appointed on 5 February 2024)

REMUNERATION COMMITTEE

Mr. Yin Fusheng *(Chairman)* (resigned on 5 February 2024)
Mr. Zhong Hui (appointed as Chairman on 5 February 2024)
Mr. Lau Kwok Fai Patrick
Ms. Huang Jieli (appointed on 25 March 2024)

COMPANY SECRETARY

Mr. Chan Hon Wan *(HKICPA)*

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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Hong Kong

AUDITOR

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

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Guangdong Province
People's Republic of China

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

COMPANY'S WEBSITE

www.ximeigroup.com

STOCK CODE

9936

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2023 **RMB'000**	2022 RMB'000	Changes Increase/ (decrease)
Financial Highlights			
Revenue	**1,403,169**	1,019,600	37.6%
Cost of sales	**(1,092,745)**	(713,700)	53.1%
Gross profit	**310,424**	305,900	1.5%
Profit before taxation	**117,706**	124,134	(5.2)%
Profit for the year	**103,537**	107,467	(3.7)%
Profit attributable to owners of the Company	**87,142**	104,734	(16.8)%
Basic earnings per share (in RMB)	**0.24**	0.32	(25.0)%
Proposed final dividend per share (HK cents)	**Nil**	Nil	–

	As at 31 December		
	2023 **RMB'000**	2022 RMB'000	Changes Increase/ (decrease)
Liquidity and Gearing			
Current ratio (Note 1)	**1.91**	2.31	(17.3)%
Quick ratio (Note 2)	**0.96**	1.32	(27.3)%
Gearing ratio (Note 3)	**31.2%**	15.7%	98.7%

Notes:

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

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

(3) Gearing ratio represents total bank borrowings excluding discounted bills, less cash and bank balance, divided by total equity as at the end of relevant year multiplied by 100%.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your ongoing care, support and trust in Ximei Resources. On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I hereby take pride and pleasure in presenting the annual report of Ximei Resources Holding Limited for the year ended 31 December 2023 (the "**Year Under Review**") to our shareholders (the "**Shareholders**") and potential investors.

ANNUAL REVIEW AND OUTLOOK

During the Year Under Review, enterprises were exposed to great uncertainties and significant impact in the course of their operations amidst the changing global economic landscape, increasing international geopolitical tensions, and decelerating economic growth at the global level. When it comes to the tantalum & niobium industry, the tantalum & niobium market was characterized by dramatic fluctuations and swift changes in 2023. The supply price of tantalum experienced two fluctuations in the year, resulting in a price change up to 40%. For the year ended 31 December 2023, the average price of tantalum pentoxide (99.5%, ex-factory price in China) decreased by 18% year-on-year, while the average price of niobium pentoxide (99.5%, ex-factory price in China) increased by 27% year-on-year, according to asianmetal.cn, indicating a polarization between tantalum market and niobium market in their downstream end-user demands.

Ximei Resources as a whole took a proactive approach to embrace the changing market in the challenging macro environment. In alignment with strategic goals of the Group, we formulated specific plans ahead, and we, taking into account our actual situation, adjusted our business strategy in a flexible and dynamic manner, which enables us to successfully withstand the market pressure. Thanks to concerted efforts of all employees, we eliminated impact from negative factors, resolved the risk of market fluctuations, and accomplished the tasks for the year in production organization, projects and market development. During the Year Under Review, Ximei Resources performed well in terms of core financial data. In 2023, Ximei Resources registered an operating revenue of approximately RMB1,403.2 million, representing a year-on-year increase of 37.6%, with an operating revenue of approximately RMB225.8 million from overseas markets, representing a year-on-year increase of 45.5%, both hitting a record high for the Company.

APPRECIATION

Planning for the future and focusing on the present are equally important for sustainability of an enterprise. Looking ahead to 2024, the tantalum & niobium industry will remain to be affected by the global economic uncertainties. However, no matter how high the mountain is or how long the road is, we will reach our goal one day as long as we march forward with perseverance. We have created good foundation and favorable conditions for our development with capable talents, increasingly improved management and more flexible mechanisms. In the future, we will continue focusing on "professional, integrated, large-scale, high-end, international and capital-based" operation, remain committed to innovation-driven development, and will reduce costs and increase efficiency to further enhance core competitiveness. By doing so, we will unswervingly follow the path of high-quality development.

We welcome and embrace the new year with firm confidence, and will step into the year 2024 with robust steps. On behalf of the Board, I would like to express our sincere gratitude for the trust and support from all of our Shareholders and investors, customers and business partners, and we are thankful for our management team and all of our staff for their valuable contributions towards the development of the Group. The Group will continue to spare no efforts to create better returns and highest values for our Shareholders.

Mr. Wu Lijue
Chairman of the Board

Hong Kong, 22 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

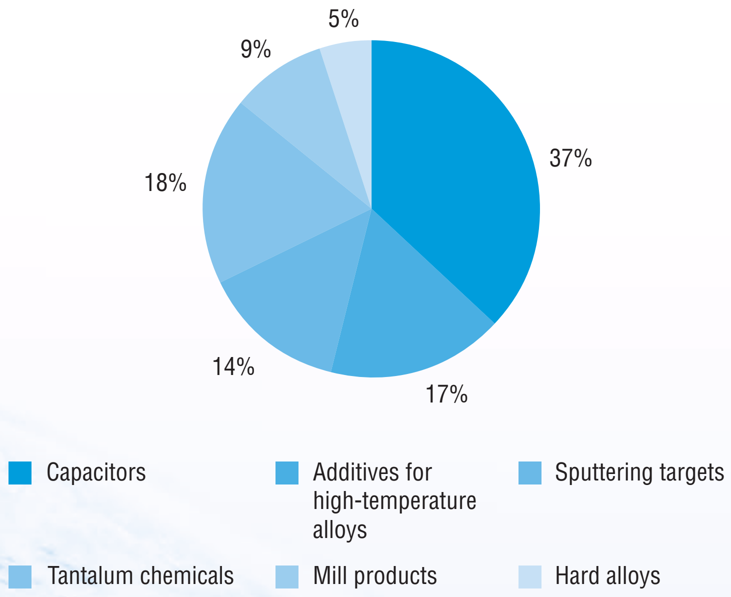
MARKET AND INDUSTRY REVIEW

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

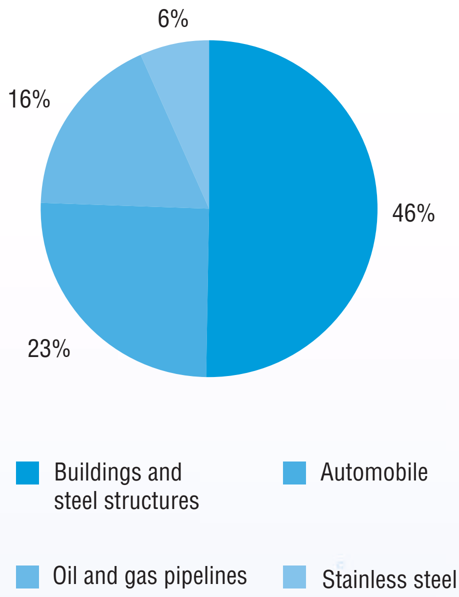
In 2022, the U.S. Geological Survey included rare metals such as tantalum and niobium in the Catalog of 50 Key Minerals Critical to U.S. Security. Japan, Europe and other countries have also listed tantalum and niobium as strategic minerals. On 30 November 2023, an article entitled *How to Maintain a Firm Grasp on the "Vitamins" of Strategic Industries?* was published on the official WeChat account of China's Ministry of State Security, in which the country disclosed the inclusion of tantalum and niobium into the 31 key minerals. All of these have shown that tantalum and niobium have now become indispensable high-tech basic materials and strategic resources in the national economy.

By category of end-use areas, according to the Tantalum Industry Outlook to 2029, capacitors, additives for high-temperature alloys, sputtering targets, tantalum chemicals, mill products, and hard alloys made up 37%, 17%, 14%, 18%, 9% and 5% of the world's tantalum consumption in 2019, respectively. Niobium is widely used in manufacturing in steel, high-performance alloys (including high-temperature alloys), superhard carbides, superconductors, electronic components and functional ceramics sectors. 46% of niobium applications go to buildings and large steel structures, representing the largest share of niobium applications, which is followed by the automotive industry, oil and gas pipelines and stainless steel as they accounted for 23%, 16% and 6% of niobium applications, respectively.

Main Applications of Tantalum-based Metals



Main Applications of Niobium-based Metals



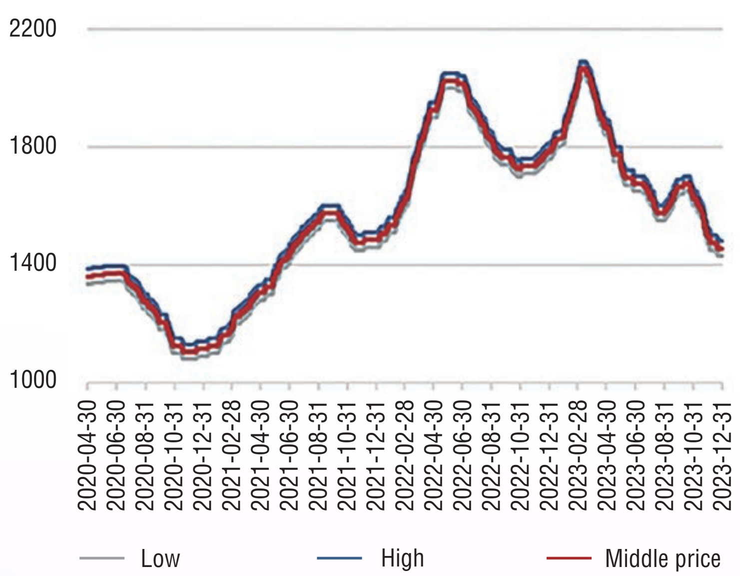
Source: Tantalum Industry Outlook to 2029 and Private Placement Prospectus of Orient Tantalum

1. Market review of tantalum and niobium products

According to the statistics of the Tantalum and Niobium Branch of the China Nonferrous Metals Industry Association, the total output value of China's tantalum and niobium industry in 2022 increased by 29% year-on-year, and the industry achieved a 25% year-on-year increase in sales revenue. In 2022, the export volume of tantalum products increased by 8% year-on-year, and the export volume of niobium products increased by 1.9 times year-on-year. China has become an important producer of tantalum-and niobium-based products in the world, playing an important role in the world.

In 2023, the consumer electronics industry remained sluggish, and product price dropped dramatically in the industry. The price of tantalum products stepped into a downward trajectory after reaching a high point in March 2023. On the supply and demand front, the supply price of tantalum changed by 40% as a result of the two price fluctuations in the year. Meanwhile, according to asianmetal.cn, the price of pentoxide tantalum (99.5%, ex-factory price in China) declined by 18% year-on-year for the year ended 31 December 2023. Besides that, domestic sales of tantalum were relatively flat due to the depressed demands. As a consequence, the actual new orders and demands in the downstream were relatively weak, resulting in intensified market competition.

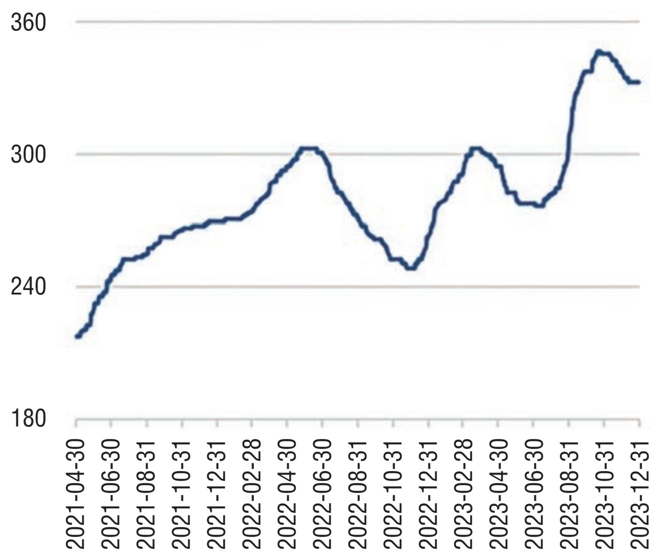
Price of tantalum pentoxide (99.5% mini, ex-factory price in China) (RMB/kg)



Source: asianmetal.cn

Overall, the price of niobium-based metals remained on an upward trajectory since the surging demands for high-temperature alloys, which is attributable to the normal operation of a number of capital works and the robust development of China's aerospace industry, have somewhat catalyzed the downstream demands for niobium-based products. According to the quotations from the asianmetal.cn, the price of niobium pentoxide (99.5%, ex-factory price in China) increased by 27% year-on-year for the year ended 31 December 2023. Based on the forecast of Gfk, a market research organization, China's economy has bottomed out and is embracing a new round of robust recovery, although economic circumstances remained complicated and challenging both in and outside of China.

Price of niobium pentoxide (99.5%min ex-factory in China) (RMB/kg)



Source: asianmetal.cn

2. Development trend of downstream applications of tantalum and niobium

Tantalum-and niobium-based products have been steadily applied in many fields due to their excellent performance, and there are stable demands of such products in many industries. Furthermore, tantalum-and niobium-based products have seen strong demands in additional sectors in recent years. Those demands are mainly reflected in the following areas:

(1) Tantalum capacitor sector: According to 2023 Tantalum Capacitors Market Research Report and Forecast to 2028 issued by WK Research, the revenue growth of the tantalum capacitors market is mainly driven by factors such as volume efficiency, long-term reliability, improved resistance to extreme temperatures and reduction of noise, as well as ability of the market to improve by itself. Based on the regression analysis model developed by WK Research, the compound annual growth rate (CAGR) is expected to be 6.31% between 2023 and 2028. New infrastructure projects represented by 5G networks is one of tantalum capacitors market examples. For new infrastructure, tantalum capacitors can provide 5G network infrastructure support due to their thin size, high capacitor density and reliability under extreme conditions. The tantalum capacitor market will continuously grow in step with the growing demand for high-performance components applications. A research report released by CSC has shown that a 5G base station currently needs about 15,000 capacitors, of which tantalum capacitors accounts for up to 20%. According to the Progress and Outlook of China's Tantalum and Niobium Industry * (《中國鉭鈮工業的進步與展望》) jointly published by Ningxia Non-ferrous Metal Smelter * (寧夏有色金屬冶煉廠) and Northwest Institute of Rare Metal Materials * (西材院), approximately 39mg of tantalum powder is required for manufacturing a single tantalum capacitor. Given that the 14th Five-Year Information and Communication Industry Development Plan (《「十四五」信息通信行業發展規劃》) targets to increase coverage of 5G base station to 26 base stations per 10,000 persons, China would have to establish at least 3.64 million 5G base stations on the basis of its total population of 1.4 billion. Up to the end of May 2023, China has built a total of 2.844 million 5G base stations with over 2.05 billion mobile Internet of Things end-users, which shows that developing 5G base stations will lead to a stable and remarkable growth of tantalum capacitor-related performance in the future.

(2) Communication sector: In the sector, tantalum-and niobium-based oxide has become a new application growth area, and has been widely used in the electronic industries such as optical lenses and substrates of SAW filters. According to a research report released by Haitong Securities, lithium niobate ($LiNbO_3$) is a compound of niobium, lithium and oxygen. The lithium niobate crystal is characterized by multiple photoelectric effects, highly adjustable performance, stable physical and chemical performance, and a wide range of light transmission. Based on applications, lithium niobium oxide is either optical-grade or acoustic-grade. Optical-grade lithium niobate is mainly applied in integrated optical waveguide, wave guide laser, wedge angle for optical isolator, and electro-optical wave guide phase modulator and acoustic-grade lithium niobate is mainly applied in filters and other fields.

Future trend of optical-grade applications. AI's demand for computing power is the main driver for accelerating the iteration of optical modules to 800G and above, and according to LightCounting's forecast, 800G optical modules are expected to dominate the market from the end of 2025. In terms of sales, the proportion of 800G optical modules is expected to increase from 7% in 2022 to 50% in 2025, reaching US$1.6 billion. The modulator is one of the important components of the optical module and its main function is to convert electrical signals into transmittable optical signals. Thanks to its small size and large bandwidth, the thin-film lithium niobate modulator is suitable for high-speed optical module scenarios such as 800G, and has become a "transformative" technology at the forefront of photonics research. Silicon-based modulators have a rate of 60-90Gbaud, and indium phosphide (InP) modulators have a rate up to 130Gbaud. In contrast, thin-film lithium niobate modulators have been developed with a rate of 260Gbaud. Based on these, the technical path of lithium niobate is promising. At present, well-known enterprises such as Huawei have invested in those enterprises involving lithium niobate crystal and lithium thin-film lithium niobate.

Future trend of acoustic-grade applications. Lithium tantalate and lithium niobate piezoelectric wafers are commonly used in the production of SAW/BAW filters. At present, Apple iPhone7 supports more than 40 frequency bands. In the era of 5G communication, the demand for 5G frequency bands is expected to increase to 67 frequency bands in the future. Therefore, the SAW/BAW filters for mobile phones alone enjoy bright market prospects. According to Shanpu Group, the global smartphone shipment was 360 million units, representing a year-on-year increase of 4.1%, in the first quarter of 2023, thanks to the roll-out of vaccination and economic recovery.

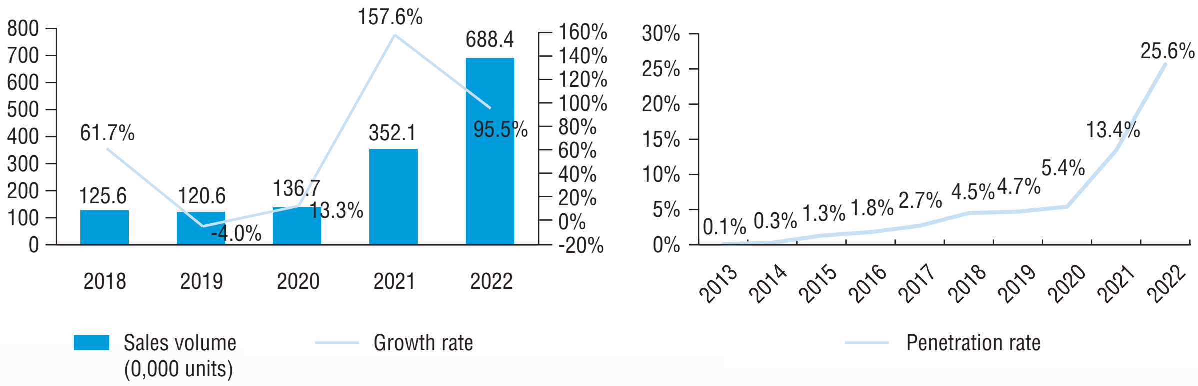
As indicated in a research report published by Research Institute of China Everbright Securities Co., Ltd.* (光大證券股份有限公司研究所), considering the downstream applications of acoustic lithium niobate crystals in SAW filters and the downstream applications of optical lithium niobate crystals in optical modules and fiber optic gyroscopes, the global lithium niobate crystals market is expected to reach RMB3.50 billion – RMB4.04 billion in 2025, with a CAGR of 17.9%-23.6% from 2022-2025, based on both conservative and optimistic assumptions. The market share of thin-film lithium niobate in the optical module segment is expected to reach 7.2%-19.6%.

(3) High-temperature alloy sector: High-temperature alloys are mainly classified by downstream applications, including aerospace, energy, power, petrochemicals and metallurgy. In the field of aerospace, high-temperature alloys are mainly the key material for manufacturing heat section components of engine as they are mainly used in engine turbine blades, turbine disks, burners, steering gears and some engine cartridges and sealing accessories. In terms of energy and power, high-temperature alloys are mainly gas turbines and nuclear components. In 2021, approximately 55% of high-temperature alloys were used in the aerospace industry around the world, and 70% to 80% of high-temperature alloys were used in special fields such as aerospace in China. According to a research report released by Eddid Securities, and based on estimations by Northeast Securities, it is expected that the new commercial aircraft engines will drive the demand for high-temperature alloys by 8,847 tons by 2030, and assuming that the price of high-temperature alloys is RMB200,000 per ton, the output value would be increased by RMB1.8 billion. Based on the data shown in the World Air Force 2021 report released by Flight International, the demand for high-temperature alloys for military aviation engines in China will reach 19,400 tons per year by 2025 and 28,300 tons per year by 2030, indicating a compound annual growth rate of 7.84%. Driven by the building of national defense, equipment upgrading and import substitution, the national defense military industry will continue to maintain a high degree of prosperity, which will in turn drive the demand for tantalum and niobium.

(4) New energy and lithium batteries sector: The lithium battery industry chain comprises cathode materials, anode materials, electrolyte and diaphragm. Niobium is currently performing well in cathode materials, anode materials and electrolyte. In the field of sustainable energy, people are looking for the most efficient and environmentally friendly options for battery materials. Lithium-ion battery has been dominating the market for many years, but the new material technology based on niobium now makes it more attractive. Niobium-based batteries exhibit a longer life, are more environmentally friendly and have a higher energy density than conventional lithium batteries, and niobium batteries are equipped with fast-charging capabilities, improving consumer convenience. On 28 November 2023, at the 64th Battery Symposium in Osaka, Japan, Toshiba Corporation announced that its technical team successfully developed a new technology for lithium-ion batteries, which creates cobalt-free batteries that exhibit better performance than traditional batteries. The most important feature of the battery is the adoption of 5V-class high-potential electrode and niobium titanium oxide anode. Unlike traditional graphite-based anode materials, NTO (niobium titanium oxide) exhibits high safety and stability as anode material, and Toshiba says it will commercialize this battery technology in 2028. Niobium as an anodic doping material is now well established in commercial applications. The addition of niobium pentoxide to lithium manganese oxide and high-nickel ternary battery cathode materials will have a modified effect, with an addition rate of 3-10%, which can improve electronic conductivity and stability of batteries.

With the continuous growth of new energy vehicles in the world, China has become the world's largest consumer market for new energy vehicles. Against the backdrop of accelerating the development of green and low-carbon economy around the world, the global sales volume of new energy vehicles exceeded tens of millions in 2022, increasing to 10.65 million units, representing a year-on-year increase of 63.6%.

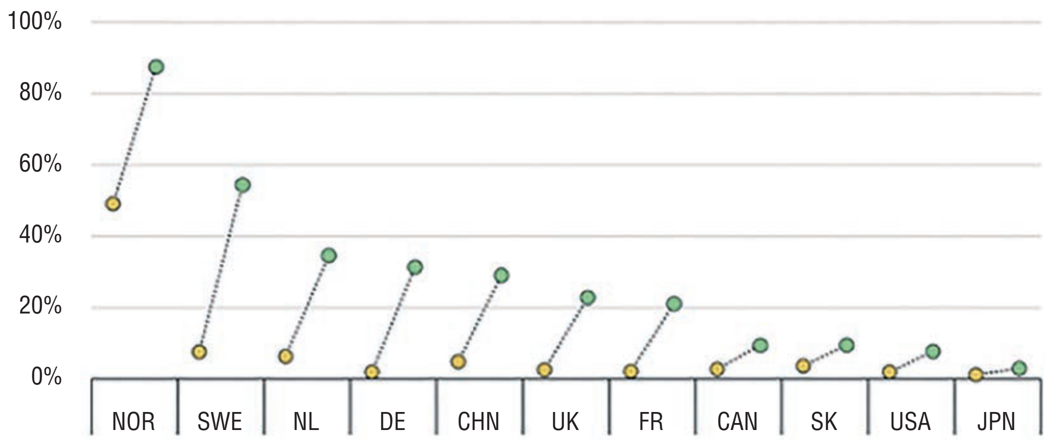
Sales volume, growth rate and penetration rate of China's new energy vehicle market from 2018 to 2022



Source: Southwest Securities Research Report

According to the Global EV Outlook 2023 report published by the International Energy Agency (IEA), the current market penetration rate of new energy vehicles in China and more than ten European countries exceeds 20%. Meanwhile, the United States, Japan and South Korea are also striving to increase the penetration rate. The market penetration rate of new energy vehicles will further increase by 2030, driven by the current support policies of those countries. In 2022, the sales volume of new energy vehicles in India, Thailand and Indonesia doubled from 2021 to 80,000 units. In particular, the market penetration rate of the new energy vehicles in Thailand is slightly higher than 3%, while that in India and Indonesia is approximately 1.5%.

Penetration Rate of Electric Vehicles in Major Countries 2018-2022



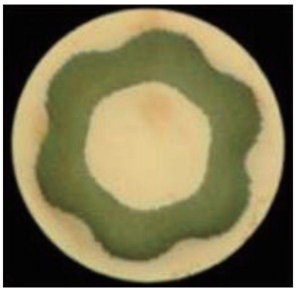
Source: Global EV Outlook 2023

Thanks to policies in and outside of China, the transformation of vehicle electrification has accelerated. As countries are seeking carbon neutrality, there are pressing demands for energy conservation and emission reduction, therefore the new energy vehicle industry is expected to continue to grow rapidly. It is believed that niobium will have a significant non-negligible market share in the future new energy industry, especially in high-end applications.

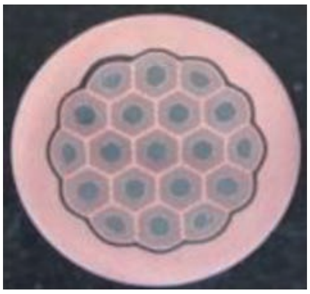
(5) Biomedical sector. Tantalum- and niobium-based metal is a metal with good bioactivity, biocompatibility and corrosion resistance. Taking tantalum-based metal as an example, it can promote adhesion, proliferation, and osteogenic differentiation of human bone mineral stem cells. Compared with titanium alloy, porous tantalum can better realize metal-bone tissue interface integration after being implanted. The medical application research projects of "tantalum" metal were included in the list of the first batch of biomedical materials by the Ministry of Industry and Information Technology and China Food and Drug Administration. Nearly 20 Chinese patients have been reported to be the first batch of beneficiaries in the world for "tantalum-coated prosthesis pelvic reconstruction surgery"! Russian researchers studying soft niobium-titanium alloys with niobium content ranging from 5% to 50% found that titanium alloys with niobium content of 25% are the most cellularly active, and that the introduction of niobium could improve biocompatibility of titanium alloy by reducing the precipitation of toxic metal (e.g., nickel and vanadium) ions from titanium alloys, and could also reduce the elastic modulus of the titanium alloys and improve the mechanical strength of the implants, satisfying requirements of the clinical objectives to the maximum extent.

(6) Superconductor sector. Depending on their critical temperature, superconductors falls into low-temperature superconductors and high-temperature superconductors. It is generally believed that the superconductors of Tc<25K are called low-temperature superconductors, and up to now, those commercialized low-temperature superconductors include NbTi (Tc=9.5K) and Nb_3Sn (Tc=18k). At present, most of the application of low-temperature superconductors are based on the strong magnetic field generated by superconducting magnets. They are mainly applied in such fields as MRI, MCZ, NMR, ITER, accelerator, and special magnets for scientific research.

Cross Sections of Typical Low-temperature Superconducting Wires



NbTi superconducting wire



Nb_3Sn superconducting wire

Based on the above, applications of NbTi and Nb_3Sn superconductor in various fields are different:

Area of application	Materials
MRI	NbTi
MCZ	NbTi
NMR	Mainly Nb_3Sn, and partially NbTi
ITER	Nb_3Sn, NbTi
Accelerator	NbTi

Source: Prospectus of Western Superconducting Technologies, Eastmoney Securities Institute

In addition, tantalum is a thin-film material for resistive layer in semiconductor chip manufacturing process. Currently, copper target and tantalum target are mostly used in manufacturing chips with advanced process, and aluminum target and titanium target are still more used in manufacturing chips with the mature process. According to the forecast of IHS Markit, the mature process wafers will account for 48% and the advanced process wafers will account for 52% by 2025. The tantalum target and its rings are the cutting-edge products with the largest technical difficulty in target material manufacturing and the most rigorous quality consistency requirements. Based on the relevant literature, the target material used for a 12-inch wafer is about 1.717g of tantalum. Based on the global chip liner shipments, the total consumption of tantalum in the semiconductor market will be 122.92 tons in 2025, representing a compound growth rate of 40.98% for three consecutive years. The demand growth prospects for copper and tantalum targets are still promising.

Tantalum and niobium are the basic metals of microelectronic materials, national strategic metals, and indispensable necessities for the electronics industry, automotive industry, military industry and other industries. In the long run, with the rapid growth of downstream demand and the ongoing import substitution, the tantalum- and niobium-based metal industry chain will embrace a bright future.

BUSINESS REVIEW

New level of production and operation

In 2023, the Group fully unlocked its production vitality through its intensive efforts amid the market evolution. The Group kept track of the market demand changes, and leveraged its production capacity advantages by adjusting its product mix flexibly. Thanks to our intensive efforts around the production and operation targets, we registered new highs in the annual total production of flagship products and several individual indexes. For hydrometallurgical products, basically full production and sales was achieved, and the output of tantalum- and niobium-based metals and their products has more than doubled year-on-year and achieved a new leap, all hitting record highs. We attached importance to the optimization of production processes in order to improve quality, reduce consumption and enhance efficiency. The annual comprehensive metal yield rate, by-product recycling and energy consumption have all improved compared with the past. At the same time, the DingTalk Cloud Maintenance function was activated during production to strengthen the daily maintenance and inspection of equipment in order to improve the percentage of equipment in good condition, enabling the Group to effectively resolve market pressure and fully unlock production capacity.

Fruitful achievements in marketing management

To respond to the sharp fluctuations in the raw material and sales, the management of the Group took a proactive approach to ensure the annual operational goals are accomplished by optimizing the marketing strategy and assessment mechanism on the basis of its analysis on the situation. In 2023, Ximei Resources achieved an operating revenue of RMB1,400 million, representing a year-on-year increase of 38%; with an operating revenue of RMB226 million from overseas markets, a year-on-year increase of 46%. We not only remained focus on our key customers, but also made every effort to explore new markets and develop new products. We passed several certifications on customer side, extensively enlarging our customer coverage. On procurement management front, we, as a part of our efforts to cut procurement cost, followed the market trend by applying a flexible and dynamic procurement mode in which the procurement volume is determined on the basis of sales and the proportion of procurement is dynamically balanced. Based on this, we effectively ensured the availability of raw materials.

Steady progress in project construction

To seize the market opportunities, the Group attached equal importance to production and project construction. In this regard, the Group extended the industrial chain to create an integrated industrial system. During the Year Under Review, all projects under construction were carried out in an orderly manner with solid progress. To adapt to the market demands and expand production capacity, Ximei Guizhou commenced its phase-II project, and completed the installation and commissioning of multiple production lines. For Ximei Guiyang, its project is in the tendering stage, a crucial stage for a project, as Ximei Guiyang has completed the demolition and geological survey design, and continuously optimized the site leveling and design plan, meaning that the project will be progressed fast. Ximei Leizhou completed construction of the main body of its plant thanks to its endeavors to achieve the scheduled progress, signaling that Ximei Leizhou will soon become able to manufacture products on a stable and mass basis. On top of those, the project of China Nuclear Huazhong in which the Group has a stake was qualified as a municipal key project of Hengyang city, and such project is now well underway. During the Year Under Review, our results were under pressure, which is attributable to our significant investments we had to make in order to improve products, realize mass production ramp-up or explore markets at the early stage of development, coupled with factors such as the rapid changes in demand of certain downstream markets and the adjustment of supply and demand structure. Despite this, the Company made progress in such aspects as completeness of product lines, product quality, process maturity, and production capacity in 2023, laying a solid foundation for the Group to achieve market upgrading and high-quality and sustainable development in the future.

Optimized process leading to quality improvement

As of 31 December 2023, the Group has been granted a total of 107 patents, including 19 invention patents. At the same time, the Company has another 69 patents in the application review stage, including 58 invention patents. We kept optimizing research and development process and made breakthroughs in the development of oxides with large specific surface area, ammonia neutralization process, and niobium-processing materials. When it comes to development of new products, we developed high-quality products such as new photoglass niobium products, tantalum powder for low boron tantalum ingots, capacitor-grade potassium heptafluorotantalate, and superconducting high-purity niobium ingots. Subsidiaries of the Group have won many honorary titles such as the Provincial Single Champion Product Enterprise in Manufacturing Industry of Guangdong Province, 2023 National Enterprise with Intellectual Property Advantage, Guangdong Provincial High-Value Patent Cultivation Center, and 2021-2023 Guizhou Provincial Advanced Enterprise for Promoting the Development of New Industrialization. At the same time, the Group applied the principle of quality first by organizing and carrying out the Quality Management Improvement Activity for All Staff throughout the year, formulating unified product standards, and conducting process control through regular quality meetings, thus further reducing the customer complaint rate. Taking other excellent industry players as benchmark, the Group always improved its innovation capability and enhanced quality awareness in a user-driven manner, ultimately enhancing its core competitiveness, thus promoting the high-quality development of the Group in the future.

Continuous organization structure optimization

During the Year Under Review, the Group affirmed its strategic positioning of "professional, integrated, large-scale, high-end, international and capital-based" operation. To this end, we optimized organization structure and systems, and improved the implementation efficiency by streamlining governance and delegating power. Being committed to put talents first, we established a long-term incentive and assessment plan to fully mobilize the enthusiasm of employees, and developed a pool of responsible and committed talents by implementing the mentorship program, creating the learning platform for all employees, and organizing special trainings such as officer training camps and "Ximei Classroom* (稀美講堂)". In addition, during the Year Under Review, the Group made progress in the building of ERP system, budget management, project license application and other aspects, bringing about more standardized comprehensive management.

FINANCIAL REVIEW

Revenue

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Sales of manufacturing goods	**1,155,882**	**82.4%**	777,554	76.3%
Sales of trading goods	**215,333**	**15.3%**	154,762	15.1%
Provision of processing services	**31,954**	**2.3%**	87,284	8.6%
Total revenue	**1,403,169**	**100.0%**	1,019,600	100.0%

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Pentoxide products	**454,618**	**32.4%**	458,867	45.0%
Tantalum pentoxide				
– Industrial grade tantalum pentoxide	**109,658**	**7.8%**	96,940	9.5%
– High-purity tantalum pentoxide	**38,838**	**2.8%**	24,834	2.4%
Niobium pentoxide				
– Industrial grade niobium pentoxide	**182,454**	**13.0%**	287,706	28.2%
– High-purity niobium pentoxide	**123,668**	**8.8%**	49,387	4.9%
Potassium heptafluorotantalate	**97,522**	**7.0%**	104,131	10.2%
Tantalum metal products	**308,128**	**22.0%**	220,296	21.6%
Niobium metal products	**298,873**	**21.3%**	52,497	5.1%
Recycled products	**27,045**	**1.8%**	23,229	2.3%
Others	**216,983**	**15.5%**	160,580	15.8%
Total revenue	**1,403,169**	**100.0%**	1,019,600	100.0%

During the two years ended 31 December 2023 and 2022, our products sold included: (i) pentoxide products; (ii) potassium heptafluorotantalate; (iii) tantalum metal products; (iv) niobium metal products; (v) recycled products and (vi) others. Out of the products we sold, pentoxide products accounted for approximately 32.4% and 45.0% of our total revenue for the two years ended 31 December 2023 and 2022, respectively.

The Group's revenue increased by approximately RMB383.6 million or 37.6% from approximately RMB1,019.6 million for the year ended 31 December 2022 to approximately RMB1,403.2 million for the Year Under Review. The increase was mainly due to the increase in revenue generated from sales of tantalum metal products, niobium metal products and other products, especially the significant increase in the sales of metal products, in particular niobium metal products, which was attributable to the Group's proactive efforts to explore new markets by optimizing product mix in alignment with the market demands.

Pentoxide Products

For the Year Under Review, our revenue generated from sales of pentoxide products amounted to approximately RMB454.6 million, representing a decrease of approximately RMB4.3 million or 0.9% from approximately RMB458.9 million for the year ended 31 December 2022. Such decrease was due to the fact that external sales of pentoxide products decreased since more primary pentoxide products were utilized for further deep processing to cope with the rising production capacity of Ximei Guizhou project, leading to an increase in production volume during the Year Under Review.

Potassium Heptafluorotantalate

For the Year Under Review, our revenue generated from sales of potassium heptafluorotantalate amounted to approximately RMB97.5 million, representing a decrease of approximately RMB6.6 million or 6.3% from approximately RMB104.1 million for the year ended 31 December 2022. Such decrease was mainly due to the decrease in external sales of potassium heptafluorotantalate resulting from the increase in use of potassium heptafluorotantalate produced by the Group for further internal production of tantalum metal products during the Year Under Review.

Tantalum Metal Products

The Group's revenue generated from sales of tantalum metal products increased by approximately RMB87.8 million or 39.9% from approximately RMB220.3 million for the year ended 31 December 2022 to approximately RMB308.1 million for the Year Under Review. Such increase was mainly due to the increase in production and sales volume resulting from the increase in production volume of the Ximei Guizhou project during the Year Under Review.

Niobium Metal Products

During the two years ended 31 December 2023 and 2022, the Group's revenue generated from sales of niobium metal products was approximately RMB298.9 million and RMB52.5 million, respectively. Such increase was mainly due to the increase in production volume of the Ximei Guizhou project and the increase in sales revenue as a result of the significant increase in market demand for niobium metal products in downstream applications such as aerospace and military industries during the Year Under Review.

Recycled Products

During the Year Under Review, our recycled products sold mainly included three types of products produced by recycling our waste materials, namely tin hydroxide, potassium hepta fluorosilicate, potassium fluotitanate and ammonium fluoride. The increase in revenue generated from sales of recycled products from approximately RMB23.2 million for the year ended 31 December 2022 to approximately RMB27.0 million for the Year Under Review was primarily because we sold more tin hydroxide, potassium hepta fluorosilicate, potassium fluotitanate and ammonium fluoride for the Year Under Review as comparing to that of the year ended 31 December 2022.

Others

For the Year Under Review, our revenue generated from sale of others amounted to approximately RMB217.0 million, representing an increase of approximately RMB56.4 million or 35.1% from approximately RMB160.6 million for the year ended 31 December 2022. Such increase was mainly due to the increase in sales of trading goods during the Year Under Review.

Cost of sales

Cost of sales represented the direct costs of production, which comprised raw materials costs, factory overheads, electricity and fuels costs, labour costs and processing fee in respect of our processed products. For the two years ended 31 December 2023 and 2022, our cost of sales amounted to approximately RMB1,092.7 million and RMB713.7 million, respectively. The following table sets forth the breakdown of our cost of sales for the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Raw materials	**789,196**	**72.2%**	495,966	69.5%
Cost of trading goods	**201,976**	**18.5%**	150,024	21.0%
Factory overheads	**21,966**	**2.0%**	29,803	4.2%
Electricity and fuels	**33,691**	**3.1%**	17,384	2.4%
Labour *(Note)*	**45,916**	**4.2%**	15,174	2.1%
Processing fee	**–**	**–**	5,349	0.8%
Total cost of sales	**1,092,745**	**100.0%**	713,700	100.0%

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

Our raw materials costs mainly represented the cost for purchasing tantalum ores and niobium ores, and accounted for approximately 72.2% and 69.5% of our total cost of sales for the Year Under Review and the year ended 31 December 2022, respectively. Our cost of sales increased by approximately RMB379.0 million or 53.1% from approximately RMB713.7 million for the year ended 31 December 2022 to approximately RMB1,092.7 million for the Year Under Review. Such increase was mainly attributable to the increase in sales volume and increase in production scale of the Group during the Year Under Review, leading to increase in electricity cost and staff cost.

Gross profit and gross profit margin

The Group's gross profit increased by approximately RMB4.5 million or 1.5% from approximately RMB305.9 million for the year ended 31 December 2022 to approximately RMB310.4 million for the Year Under Review, mainly driven by the increase in our revenue.

Our gross profit margin decreased from approximately 30.0% for the year ended 31 December 2022 to approximately 22.1% for the Year Under Review. Such decrease was mainly to the changes in the structure of product sales of the Group and the increase in fixed investment costs in the early stage as a result of the expansion of production capacity, coupled with a narrowing of profit margin, which was attributable to the fact that the Group leveraged opportunities to increase the market share by adjusting the business strategy for certain products flexibly to cope with the high volatility and rapid changes in tantalum and niobium prices, and the downward trend in overall market prices amid the severe macro market situation during the Year Under Review.

Other income and gains, net

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

	For the year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Other income		
Bank interest income	**2,346**	2,682
Government grants *(Note)*	**7,872**	2,094
	10,218	4,776
Gains, net		
Fair value gains on derivative financial instruments, net	**1,816**	–
Others	**1,497**	723
	3,313	723
Total	**13,531**	5,449

Note: Government grants mainly represented (i) additional input value-added tax credit provided by relevant PRC local government authorities to a subsidiary of the Group which is qualified as a High New Technology Enterprise and (ii) subsidies received from the PRC local government authorities to support certain subsidiaries' research and development activities. There are no unfulfilled conditions or contingencies relating to these gains.

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

Our other income and gains, net was a gain amounted to approximately RMB13.5 million for the year ended 31 December 2023 (2022: a gain of approximately RMB5.5 million).

Selling and distribution expenses

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Distribution costs	4,639	31.4%	3,211	38.7%
Staff costs	5,460	36.9%	2,526	30.5%
Consultation fees	1,963	13.3%	1,543	18.6%
Travelling and entertainment expenses	1,401	9.5%	370	4.5%
Advertising and promotion expenses	2	–	1	0.1%
Office expenses	163	1.1%	69	0.8%
Others	1,151	7.8%	567	6.8%
Total selling and distribution expenses	14,779	100.0%	8,287	100.0%

The Group's selling and distribution expenses increased by approximately RMB6.5 million or 78.3% from approximately RMB8.3 million for the year ended 31 December 2022 to approximately RMB14.8 million for the Year Under Review. Such increase was mainly attributable to the increase in salesperson costs of approximately RMB2.9 million as a result of the Group's efforts to leverage the industry opportunities to explore new product markets.

Administrative expenses

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Research and development expenses	66,553	42.5%	47,642	40.1%
Staff costs	42,805	27.4%	30,437	25.6%
Other tax expenses	2,983	1.9%	3,040	2.6%
Legal advisory and professional fees	6,617	4.2%	3,881	3.3%
Depreciation and amortisation	10,653	6.8%	7,139	6.0%
Travelling and entertainment expenses	3,242	2.1%	2,190	1.8%
Bank charges	4,363	2.8%	3,693	3.1%
Others *(Note)*	19,263	12.3%	20,739	17.5%
Total administrative expenses	156,479	100.0%	118,761	100.0%

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

The Group's administrative expenses increased by approximately RMB37.7 million or 31.8% from approximately RMB118.8 million for the year ended 31 December 2022 to approximately RMB156.5 million for the Year Under Review. Such increase was mainly attributable to (i) the increase in staff costs of approximately RMB12.4 million from approximately RMB30.4 million for the year ended 31 December 2022 to approximately RMB42.8 million for the Year Under Review; and (ii) the increase in research and development expenses of approximately RMB19.0 million from approximately RMB47.6 million for the year ended 31 December 2022 to approximately RMB66.6 million for the Year Under Review.

The Group's research and development expenses amounted to approximately RMB66.6 million and RMB47.6 million for the Year Under Review and the year ended 31 December 2022, respectively. The increase in such expenses was mainly due to the increase in research and development activities of the Group such as development of new tantalum- and niobium-based products, improvement of production technique and process and enhancement of recycling and reuse capability.

Finance costs

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

	For the year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Finance costs on interest-bearing bank borrowings	**20,129**	20,831
Interest on lease liabilities	**1,242**	2,347
Discount on bill discounting	**2,628**	–
Less: interest capitalised	**(479)**	(2,210)
Total net finance costs	**23,520**	20,968

Our finance costs before capitalisation for the Year Under Review and the year ended 31 December 2022 amounted to approximately RMB24.0 million and RMB23.2 million, respectively. For the Year Under Review and the year ended 31 December 2022, we capitalised interest of approximately RMB0.5 million and RMB2.2 million, respectively, in respect of the interest that was directly attributable to the construction of our production facilities. As a result, our net finance costs charged to the consolidated statements of profit or loss for the Year Under Review and the year ended 31 December 2022 amounted to approximately RMB23.5 million and RMB21.0 million, respectively. The increase in finance costs was mainly due to the decrease in capitalised interest for the Year Under Review resulting from the successive completion of new production lines.

Income tax expense

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

Our income tax expense for the Year Under Review and the year ended 31 December 2022 amounted to approximately RMB14.2 million and RMB16.7 million, respectively. Our effective tax rate for the Year Under Review and the year ended 31 December 2022 was approximately 12.0% and 13.4%, respectively. The details are set out in Note 9 to the Financial Statements.

Profit for the year

As a result of the foregoing, we recorded profit for the year of approximately RMB103.5 million and RMB107.5 million for the Year Under Review and the year ended 31 December 2022, respectively, representing a decrease of approximately RMB4.0 million or 3.7%. Our net profit margin was approximately 7.4% and 10.5% for Year Under Review and the year ended 31 December 2022, respectively.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company for the Year Under Review and the year ended 31 December 2022 amounted to approximately RMB87.1 million and RMB104.7 million, respectively, representing a decrease of approximately RMB17.6 million or 16.8%.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

Property, plant and equipment

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

The carrying amount of our property, plant and equipment increased by approximately RMB81.2 million from approximately RMB304.1 million as at 31 December 2022 to approximately RMB385.3 million as at 31 December 2023. Such increase was mainly driven by the continuous expansion of production facilities of hydrometallurgical and pyrometallurgical products of the Group, as well as the additions of some equipment resulting from the successive commencement of Ximei Guangdong technical transformation project and Ximei Leizhou and Ximei Guiyang projects.

Right-of-use assets

As at 31 December 2023, the Group's total right-of-use assets amounted to approximately RMB99.0 million (31 December 2022: approximately RMB99.0 million), they comprised of (i) leasehold land; (ii) leased plant and machinery; and (iii) leased offices. Our leasehold land, and leased plant and machinery are recognised as pursuant to HKFRS 16. Our leasehold land represented the prepaid land lease payments in respect of our production facilities in Yingde, Guangdong Province, the PRC. Prepaid land lease payments increased from approximately RMB53.0 million as at 31 December 2022 to approximately RMB58.5 million as at 31 December 2023, mainly due to new projects. Our leased plant and machinery decreased from RMB45.5 million as at 31 December 2022 to approximately RMB37.7 million as at 31 December 2023, mainly due to the depreciation charge and transfer to property, plant and equipment. Our leased offices increased from approximately RMB0.6 million as at 31 December 2022 to approximately RMB2.8 million as at 31 December 2023, mainly due to additions.

Inventories

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials	**337,448**	195,973
Work in progress	**121,248**	147,088
Finished goods	**223,316**	167,939
Total inventories	**682,012**	511,000
Average inventories *(Note 1)*	**596,506**	383,416
Average inventories to revenue from sale of products *(Note 2)*	**43.5%**	41.1%

Notes:

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

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

The Group's inventories amounted to approximately RMB682.0 million and RMB511.0 million as at 31 December 2023 and 2022, respectively. Our average inventories increased from approximately RMB383.4 million as at 31 December 2022 to approximately RMB596.5 million as at 31 December 2023. Such increase was mainly due to the increase in both the work in progress and semi-finished goods resulting from the extension of the Group's production business to the downstream of tantalum- and niobium-based metal products. Our average inventories to revenue from sale of products was approximately 43.5% and 41.1% for the year ended 31 December 2023 and 2022, respectively.

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

	For the year ended 31 December	
	2023 (Days)	2022 (Days)
Average inventory turnover days *(Note)*	**199.2**	196.1

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

Our average inventory turnover days increased from approximately 196.1 days for the year ended 31 December 2022 to 199.2 days for the Year Under Review. The increase was mainly due to the increase of our average inventories for the year ended 31 December 2023.

Trade and bills receivables

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

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Trade receivables	**263,807**	164,895
Less: Impairment	**(2,145)**	(676)
	261,662	164,219
Bills receivable	**136,216**	72,309
Net carrying amount	**397,878**	236,528
Average trade and bills receivables *(Note 1)*	**317,203**	183,325
Average trade and bills receivables to total revenue *(Note 2)*	**22.6%**	18.0%

Notes:

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

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

Our trade and bills receivables increased from approximately RMB236.5 million as at 31 December 2022 to approximately RMB397.9 million as at 31 December 2023. Such increase was mainly due to the increase in sales revenue and changes in the structure of downstream customers resulting from the extension of the industrial chain of the Group.

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

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

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Within 30 days	**281,579**	163,636
31 days to 60 days	**63,373**	50,335
61 days to 90 days	**46,897**	20,217
Over 90 days	**6,029**	2,340
Total trade and bills receivables	**397,878**	236,528

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The expected credit loss for trade receivables as at 31 December 2023 and 2022 was approximately RMB2.1 million and RMB0.7 million, respectively. The following table sets forth the average turnover days of our trade and bills receivables for the years indicated:

	For the year ended 31 December	
	2023 **(Days)**	2022 (Days)
Average turnover days of trade and bills receivables *(Note)*	**82.5**	65.6

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

Our average turnover days of trade and bills receivables increased from 65.6 days for the year ended 31 December 2022 to 82.5 days for the Year Under Review. The increase was mainly due to the increase of our average trade and bills receivables for the year ended 31 December 2023.

Prepayments, deposits and other receivables

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayments – Non-current	**17,084**	66,627
Deposit – Non-current	**22,000**	22,000
	39,084	88,627
Prepayments – Current	**130,226**	116,372
Deposits and other receivables – Current	**36,631**	5,937
	166,857	122,309
Total prepayments, deposits and other receivables	**205,941**	210,936

Our prepayments, deposits and other receivables decreased from approximately RMB210.9 million as at 31 December 2022 to approximately RMB205.9 million as at 31 December 2023, mainly driven by the decrease in completion of settlements of prepayments for purchase of long-term equipment.

Trade payables

Our trade payables decreased from approximately RMB86.3 million as at 31 December 2022 to approximately RMB54.3 million as at 31 December 2023, mainly due to the timely settlement of payments due to core suppliers near the end of 2023. The following is an ageing analysis of trade payables, based on the invoice date, as at balance sheet dates indicated:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 30 days	**32,831**	75,942
31 days to 60 days	**12,861**	2,509
61 days to 90 days	**2,313**	612
Over 90 days	**6,275**	7,243
Total trade payables	**54,280**	86,306

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

	As at 31 December	
	2023	2022
	(Days)	(Days)
Average turnover days of trade payables *(Note)*	**23.5**	25.6

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

Our average turnover days of trade payables decreased from approximately 25.6 days for the year ended 31 December 2022 to 23.5 days for the Year Under Review, mainly due to the decrease in average trade payables for the year ended 31 December 2023.

Other payables and accruals

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

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Accruals	**31,712**	28,873
Deferred income	**7,960**	6,910
Contract liabilities	**23,617**	3,611
Other payables	**33,662**	46,365
Total other payables and accruals	**96,951**	85,759

Our other payables and accruals increased from approximately RMB85.8 million as at 31 December 2022 to approximately RMB97.0 million as at 31 December 2023. Such increase was mainly driven by the increase in advance payment from customers.

Bank borrowings

Bank borrowings were our principal component of our total liabilities, constituting approximately 77.7% and 69.2% of our total liabilities as at 31 December 2023 and 31 December 2022, respectively. The following table sets forth the breakdown of our bank borrowings by current and non-current classification as at balance sheet dates indicated:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Non-current	**101,862**	167,445
Current	**536,816**	315,097
Total bank borrowings	**638,678**	482,542

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

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Secured	**125,516**	57,024
Unsecured	**513,162**	425,518
Total bank borrowings	**638,678**	482,542

As at 31 December 2023, our bank borrowings were secured by the pledge of certain of our Group's leasehold land, and property, plant and equipment with net carrying amounts of approximately RMB29.2 million (31 December 2022: RMB20.5 million) and RMB38.3 million (31 December 2022: RMB47.6 million), respectively.

Our total bank borrowings increased from approximately RMB482.5 million as at 31 December 2022 to approximately RMB638.7 million as at 31 December 2023. Such increase was mainly due to the corresponding increase in operating financing needs resulting from the continuous extension of the industrial chain of the Group and the large increase in sales scale during the Year Under Review.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

During the Year Under Review, we financed our operations by cash generated from operating activities and bank borrowings. As at 31 December 2023, we had cash and cash equivalents of approximately RMB115.5 million (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 proceeds from the listing of our Company on the Main Board of the Stock Exchange of Hong Kong.

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

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

Cash flows

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

During the Year Under Review, the Group's cash and cash equivalents decreased by approximately RMB209.8 million, which mainly comprised the net cash outflows used in operating activities with the amount of approximately RMB238.7 million, net cash outflows used in investing activities with the amount of approximately RMB84.3 million, net cash inflows generated from financing activities with the amount of approximately RMB113.4 million, and the foreign exchange loss of approximately RMB0.2 million. The cash flows details of the Group are set out in pages 80 to 81 under "Consolidated Statement of Cash Flows" of this report.

CAPITAL STRUCTURE

Indebtedness

The total indebtedness of the Group as at 31 December 2023 was approximately RMB656.7 million (31 December 2022: approximately RMB515.4 million). During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

As at 31 December 2023, the Group's gearing ratio was approximately 31.2% (31 December 2022: 15.7%), calculated as the total bank borrowings excluding discounted bills, less cash and bank balance, divided by total equity as at the end of the relevant year multiplied by 100%. The increase was mainly due to the increase in the Group's financing scale and the decrease in cash on hand as at the end of the period for the Year Under Review.

Pledge of assets

As at 31 December 2023, our bank borrowings were secured by the pledge of certain of our Group's leasehold land, and property, plant and equipment with net carrying amounts of approximately RMB29.2 million (31 December 2022: RMB20.5 million) and RMB38.3 million (31 December 2022: 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 RMB138.5 million and RMB156.7 million for the Year Under Review and the year ended 31 December 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.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

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

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments of approximately RMB105.1 million (31 December 2022: approximately RMB155.8 million) in total in respect of plant and equipment and additional investment in an associate.

SEGMENT INFORMATION

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

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

For the year ended 31 December 2023, the Group had not made any material acquisition or disposal.

SIGNIFICANT INVESTMENTS

The Company had not held any significant investments during the year ended 31 December 2023.

FUTURE PLANS FOR CAPITAL ASSETS

Future plans for capital assets of the Company are set out in the relevant disclosure in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 26 February 2020 (the "**Prospectus**") and the section headed "Comparison of Business Objectives with Actual Business Progress" in pages 33 to 34 of this report.

FUTURE OUTLOOK

Looking forward to 2024, the global economic situation will remain challenging, and the industry in which the Company operates will still see evolving downstream demands, which will affect the business performance of the Company. Accordingly, the Group will follow up the adjustment of national policies in a timely manner and closely monitor the macroeconomic trend so as to improve internal management, and adjust business strategies to ensure the achievement of the established objectives.

In terms of specific response measures, the Group will adhere to the bottom-line thinking of safety and environmental protection in 2024. In this regard, the Group will improve production organization to leverage advantages of production capacity, and will continue to optimize the production process and product structure so as to meet and even surpass the scheduled production. Focusing on frontier markets and strategic customers, the Group will continuously explore markets, and reasonably adjust the procurement structure and pace to maintain the stable operation of supply, production and sales. Endeavors will be made to complete key projects, extend the industrial chain, and expand the industrial scale to enhance our influence in the industry. More inputs will be injected into research and development to further pursue science and technology innovation. We will also improve quality awareness. By doing so, we will shift our focus towards technology innovation and management innovation so as to gain potential market share and alternative markets with new products, technologies and processes. In respect of management, due considerations will be given to implementation of rewards and punishments in order to explore the potential of cost reduction, and ensure achievement of annual performance targets.

Considering the downstream application market of tantalum and niobium, we firmly believe that the consumer electronics cycle has gradually bottomed out. In the future, with the development of new technologies such as new energy, 5G upgrading, semiconductors and high-end equipment manufacturing, the downstream demand for niobium will increase significantly. Success comes to those who share in one purpose, and those who are in the same boat will prosper. Being committed to its strategic positioning of “professional, integrated, large-scale, high-end, international and capital-based” operation, the Group will march towards a world-leading tantalum- and niobium-based manufacturing operator. To this end, we will continue to work together with concerted efforts and forge ahead with resolve, tenacity and pragmatic innovation to achieve the established business goals.

HUMAN RESOURCES AND TRAINING

We believe that our long-term growth depends on the expertise and experience of our employees. We primarily recruit our personnel through campus recruiting, career fairs, recruitment websites and internal recommendation. We provide regular training programs to our employees, including, among others, introductory training, safety training and technical training, to enhance their skills and knowledge. As at 31 December 2023, the Group had a total of 678 employees (2022: 550 employees), total staff cost for the Year Under Review amounted to approximately RMB91.1 million (2022: approximately RMB62.6 million).

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

DIVIDENDS

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2023 (2022: Nil).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

OUR BUSINESS OBJECTIVES AND STRATEGIES

Our development goal is to "develop strategic metals and pursue green metallurgy", to achieve high quality and sustainable growth, and ultimately to develop us into a world leading manufacturer and operator of tantalum- and niobium-based products. In order to move towards the goal, the Group plans to continue to adopt the following strategies in 2024:

(1) Improving production organization to leverage our competitive production capacity

In 2024, the Group will insist on the bottom-line thinking to ensure no safety and environmental protection incidents would occur. The Group will improve production organization to fully leverage our competitive production capacity, and will optimize production processes and product mix to achieve and even surpass the design production capacity. The Group will continue to reinforce our long-term and stable trade cooperation with suppliers to maintain safety stock of raw materials and ensure balanced allocation of raw materials. Besides that, the Group will gradually develop new supply channels, and actively explore our own resources overseas and establish flexible and diversified strategic partnerships with upstream and downstream enterprises.

(2) Constantly exploring markets with a focus on strategic customers

The Group will stay close to customers, and serve them with improved product quality and service awareness under the guidance of "customer first" philosophy. The Group remains committed to expand markets with a focus on market frontiers and core strategic customers, and will spare no efforts to pursue breakthroughs in key strategic customers and increase market shares in and out of China. The Group will enhance synergies between production and sales, refine the sales strategy flexibly, and reasonably adjust the structure and pace of procurement, so as to maintain stable supply, production, and sales. We will also improve marketing incentives, and boost synergies between marketing and management to increase motivation of employees.

(3) Enhancing product quality through innovation-driven research and development

The Group will apply innovation-driven production. Our R&D system will be optimized to realize the possible innovations in process and product technologies. We will leverage our integrated industry chain to optimize process and pursue R&D innovations in a Group-wide coordinated manner, aiming to solve prominent product and quality problems. More efforts will be made to protect our patents, and cooperation will be encouraged in scientific research so that we would integrate various resources to bolster weak spots in technology, enabling the Group to move towards high-quality development.

(4) Coordinating project efforts and improving management

The Group will coordinate project efforts under the integrated production planning. More efforts will be put to develop new hydrometallurgical projects and pyrometallurgical projects, and also to expand the existing hydrometallurgical projects and pyrometallurgical projects, in order to expand and reach the design production capacity as soon as possible. By doing so, synergies will be created between production and sales, enabling the Group to gain the long-term benefits and embrace development. We will clarify management power and responsibilities and optimize management processes so that we could advance progress more efficiently in areas such as quality management, financial management, performance management and investment and financing management, and accelerate comprehensive management enhancement, thus empowering the organization.

ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 12 March 2020. Net proceeds from the placing of the shares were approximately RMB92.7 million (equivalent to approximately HK$105.5 million), after deduction of the underwriting commission and relevant expenses. As at 31 December 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 as at 31 December 2023:

	%	Planned use of proceeds as disclosed in the Prospectus (RMB million)	Actual utilised amount as at 31 December 2023 (RMB million)	Unutilised amount as at 31 December 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 expense for setting up the new production facilities	3.9%	3.6	3.6	–
Financing five research and development projects	17.9%	16.6	13.6	3.0
Strengthening the sales network in Europe and sourcing channels in Brazil	3.5%	3.2	1.4	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 August 2024.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

DIRECTORS

Executive Directors

Mr. Wu Lijue (吳理覺), aged 60, is the founder and controlling shareholder of our Group, the chairman of our Board, an executive Director and our chief executive officer. He was appointed as a Director on 26 May 2017, and is currently responsible for our Group's strategic planning and overall operation, and management of our Board. Mr. Wu has over 31 years of experience in the tantalum and niobium metallurgy industry. Mr. Wu is currently also the director of certain companies in which the Group has share interests, including certain subsidiary companies of the Company.

Mr. Wu obtained his bachelor's degree in powder metallurgy from Central South University (中南大學) in 1984, obtained his EMBA degree from the School of Management of Sun Yat-sen University (中山大學) in 2011, and is a senior engineer. Mr. Wu is also the vice president of the Tantalum and Niobium Division and rotating president of the Cobalt Division of the China Nonferrous Metals Industry Association, the vice president of the Qingyuan Metal Industry Chamber of Commerce* (清遠市金屬行業商會), an outstanding entrepreneur of Guangdong Province, the 5th Session of Outstanding Constructor of Socialism with Chinese Characteristics among Non-public Economic Personnel of Guangdong Province, the executive committee member of the 8th Executive Committee of the Qingyuan Federation of Industry and Commerce, and the vice chairman of the Qingyuan Federation of Industry and Commerce, and has won many awards such as an outstanding individual for "Poverty Alleviation".

As at the date of this report, Mr. Wu was interested in 205,000,000 shares of the Company, representing 56.94% of total issued shares of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") (Cap 571 of the Laws of Hong Kong), all of which were held by Jiawei Resources Seychelles, which was wholly owned by Mr. Wu. Mr. Wu is the uncle of Ms. Wu Shuangzhu, the controller of corporate department of our Group.

Mr. Mao Zili (毛自力), aged 59, has joined the Group as its vice-president since May 2022 and is mainly responsible for developing new projects, strategic investment and other relevant works of the Group. Mr. Mao was appointed as an executive Director on 2 September 2022. He is also a director of certain subsidiary companies of the Company. Mr. Mao obtained his doctoral degree in science at the Institute of Physics, Chinese Academy of Sciences* (中國科學院物理研究所) in 1992. Between 1996 and 2000, he was a post-doctoral fellow at the Institute of Optics, Technical University of Berlin*, during which he was awarded the Humboldt Research Fellowship*, a world-renowned scholarship for international post-doctoral students in Germany. In 1993, he was hired as an associate professor of Beihang University (北京航空航天大學) and the deputy director of the optical information laboratory in Beihang University (北京航空航天大學光信息研究室). Mr. Mao has over 21 years of experience in investment and management. Prior to joining the Group, in 2003, he joined the Macrolink Group (新華聯集團), which was one of the "Top 500 Enterprises of China" (中國企業500強) and served at various positions within the Macrolink Group including the positions as the strategic investment director of Macrolink Group, a director of Macrolink Group, the senior assistant president of Macrolink Group, the general manager of Macrolink Mining Co., Ltd.* (新華聯礦業有限公司), and the general manager of Beijing Macrolink Industrial Investment Co., Ltd.* (北京新華聯產業投資有限公司).

Ms. Huang Jieli (黃潔莉), aged 45, joined the Group in December 2022. She served as the vice president and director of the international business department of Guangdong Jiana Energy Technology Co., Ltd.* (廣東佳納能源科技有限公司) from 2005 to 2022. She currently serves as the vice president of the Group and is mainly responsible for business management of the Company. Ms. Huang graduated from Guangdong University of Foreign Studies* (廣東外語外貿大學) majoring in English, and has nearly 20 years of experience in marketing, global key account development and corporate business management. Ms. Huang was appointed as an executive Director and a member of the remuneration committee of the Company with effect from 25 March 2024.

Non-executive Director

Ms. Ouyang Ming (歐陽明), aged 49, was appointed as a non-executive Director on 2 September 2022. Ms. Ouyang is currently the vice-president of Ganfeng Lithium, a joint stock company established in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 002460) and the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1772). She is mainly responsible for administrative, legal, investment, strategic management and other matters in Ganfeng Lithium. Ms. Ouyang has over 15 years of experience in administration and compliance matters. She joined Ganfeng Lithium in January 2002 and has served at several positions since then. She also currently serves as a director in a number of companies in which Ganfeng Lithium has equity interests, including certain subsidiaries of Ganfeng Lithium. She has been a director of Dalian Yike Energy Technology Co., Ltd.* (大連伊科能源科技有限公司) since October 2016, a director of Zhejiang Shaxing Technology Co., Ltd.* (浙江沙星科技有限公司) since March 2019, a director of Ganzhou Tengyuan Cobalt New Material Co., Ltd.* (贛州騰遠鈷業新材料股份有限公司) since August 2020 and a director of Jiangxi Ganfeng LiEnergy Technology Co., Ltd.* (江西贛鋒鋰電科技股份有限公司) since November 2021. Ms. Ouyang obtained her certificate of secretary of board of directors from the Shenzhen Stock Exchange in December 2013. She majored in accounting and graduated from the Central Radio and Television University (中央廣播電視大學) in the PRC in July 2007.

* *For identification purpose only*

Independent Non-executive Directors

Mr. Lau Kwok Fai Patrick (劉國煇), HKICPA, FCCA, aged 51, was appointed as an independent non-executive Director on 19 February 2020. Mr. Lau obtained an honours diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He later obtained a master's degree in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014. He also obtained his HKICPA Diploma in Insolvency awarded by the Hong Kong Institute of Certified Public Accountants in June 2004. Mr. Lau has been a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since December 2007 and July 2003, respectively. He has also been a member of Beta Gamma Sigma Hong Kong Baptist University Chapter since April 2014.

Mr. Lau has more than 21 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. He served a senior management position in many companies which were listed on the Main Board of the Stock Exchange.

Mr. Lau was an independent non-executive director of Jinhai International Group Holdings Limited (formerly known as Kakiko Group Limited) (stock code: 2225) and Sundy Service Group Co. Ltd. (stock code: 9608), the shares of both companies are listed on the Main Board of the Stock Exchange, from September 2017 to July 2020 and from 17 December 2020 to 4 January 2024 respectively. He is currently also an independent non-executive director of FDB Holdings Limited (formerly known as Steering Holdings Limited) (stock code: 1826) and Zhongtian Construction (Hunan) Group Limited (stock code: 2433), the shares of both companies are listed on the Main Board of Stock Exchange.

Mr. Zhong Hui (鐘暉), aged 56, was appointed as an independent non-executive Director on 19 February 2020. Mr. Zhong graduated from Central South University (中南大學) with a bachelor's degree in June 1988 and a master's degree in non-ferrous metallurgy in May 1991. He graduated from Nagoya University of Japan (日本國立名古屋大學) with a doctor's degree in materials science and engineering in March 1995.

Mr. Zhong has over 21 years of experience in the research and development of the non-ferrous metal industry. Mr. Zhong currently serves as a professor at the College of Metallurgy and Environment, Central South University (中南大學冶金與環境學院).

Mr. Yin Fusheng (尹福生), aged 59, was appointed as an independent non-executive Director on 19 February 2020. Mr. Yin obtained his bachelor of laws degree from Central China Normal University (華中師範大學) in 1987. He obtained his master's degree and doctor's degree in economics from Wuhan University (武漢大學) in August 1993 and December 2004, respectively. Mr. Yin has over 21 years of experience in finance and investment. He currently serves as an associate professor at Jinan University (暨南大學). He resigned as an independent non-executive Director with effect from 5 February 2024.

Ms. Shi Ying (石瑛), aged 60, graduated from Xi'an Jiaotong University* (西安交通大學) in 1984 majoring in metal materials and heat treatment (金屬材料與熱處理專業), and obtained a master's degree in business administration from Renmin University of China* (中國人民大學) in 2000. She successively served as a senior engineer in the Alloy Processing Technology Research Laboratory of Beijing Nonferrous Metal Research Institute* (北京有色金屬研究總院合金加工工藝研究室), a senior engineer and deputy director in the Scientific Research Department of Beijing Nonferrous Metal Research Institute* (北京有色金屬研究總院科研處), an assistant to the general manager of Youyan Semiconductor Materials Co., Ltd.* (有研半導體材料股份有限公司) and an assistant to the general manager of Youyan New Materials Co., Ltd.* (有研新材料股份有限公司).

Ms. Shi has been the secretary-general of the Integrated Circuit Materials Industry Technology Innovative Alliance* (集成電路材料產業技術創新戰略聯盟) since 2013, an independent director of JCET Group Co., Ltd.* (江蘇長電科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600584) since May 2019, an independent director of Tianshui Huatian Technology Co., Ltd.* (天水華天科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002185) since May 2019, and a director of Shanghai Qianghua Industrial Corp. (上海強華實業股份有限公司) since June 2021, and an independent director of Hebei Sinopack Electronic Technology Co., Ltd.* (河北中瓷電子科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 003031) since March 2019. Ms Shi was appointed as an independent non-executive Director and a member of the audit committee of the Company with effect from 25 March 2024.

SENIOR MANAGEMENT

Mr. Zheng Shang Hua (鄭上華), aged 39, joined the Group in November 2017, Mr. Zheng has worked in Hitachi Elevator (China) Co., Ltd. as a strategy planner, and Ximei Guangdong as the assistant to general manager and deputy general manager. He currently serves as the assistant to chief executive officer of the Group, and is mainly responsible for the Group's human resources management. Mr. Zheng graduated from Sun Yat-sen University in 2008 with a bachelor's degree in materials physics and obtained a master's degree in economics from Sun Yat-sen University in June 2018.

Ms. Wu Shuangzhu (吳雙珠), aged 39, joined our Group in July 2017, currently serves as the controller of corporate department of our Group and is mainly responsible for our Group's management improvement, process optimisation, key task assessment and operational analysis. Ms. Wu graduated from Guangzhou University majoring in accounting in January 2013 and graduated with a master of business administrations degree at The Open University of Hong Kong in August 2019. Ms. Wu has over 19 years of experience in accounting and financial matters. Ms. Wu is the niece of Mr. Wu Lijue, the Chairman and chief executive officer of the Company.

COMPANY SECRETARY

Mr. Chan Hon Wan (陳漢雲), aged 62, graduated with a bachelor's degree in economics at Macquarie University Australia in April 1986 and a master's degree in accountancy at The Hong Kong Polytechnic University in December 2005. He became an associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA) (formerly known as Hong Kong Society of Accountants) in June 1991 and an associate member of the Institute of Chartered Accountants in Australia in November 1990. He was appointed as the company secretary and authorised representative of our Company in May 2019.

Mr. Chan has over 29 years of experience in accounting and capital markets with an international accounting firm and various listed companies. From July 1991 to May 1995, Mr. Chan worked for Culturecom Limited and his last position held was the finance manager. From May 1995 to April 1998, he served as financial controller in Fairwood Fast Food Limited. From April 2000 to July 2005, he was the corporate finance director of Texwood Limited. From October 2006 to February 2008, he was a business director of Texwood Group. From March 2008 to June 2018, he served as technical director of Grace Profit Consultants Ltd., where he was mainly responsible for accounting, company secretary and compliance of listed companies.

* *For identification purpose only*

CORPORATE GOVERNANCE FUNCTIONS

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and adopted various measures to enhance the internal control system, the Directors' continuous professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Year Under Review, the Company has complied with the code provisions, other than code provision C.2.1 of the CG Code as set out in Appendix C1 to the Listing Rules.

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

On 5 February 2024, Mr. Yin Fusheng ("**Mr. Yin**") tendered his resignation as an independent non-executive Director, the chairman of the remuneration committee, and a member of each of the audit committee and the nomination committee of the Company, to focus on his other business engagements. Following the resignation of Mr. Yin, the Company was not in compliance with the requirements of (i) Rule 3.10(1) of the Listing Rules that the Board must include at least three independent non-executive Directors; and (ii) Rule 3.21 of the Listing Rules that the audit committee of the Company must comprise a minimum of three members. For further details, please refer to the announcement of the Company dated 5 February 2024.

On 25 March 2024, the Company appointed Ms. Huang Jieli as an executive Director and a member of the remuneration committee of the Company, and Ms. Shi Ying ("**Ms Shi**") as an independent non-executive Director and a member of the audit committee of the Company. Following the appointment of Ms. Shi as an independent non-executive Director and a member of the Audit Committee, the Company has re-complied with (i) Rule 3.10(1) of the Listing Rules that the Board must include at least three independent non-executive Directors; and (ii) Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members. For further details, please refer to the announcement of the Company dated 25 March 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors regarding Directors' securities transactions during the Year Under Review and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the Year Under Review.

BOARD OF DIRECTORS

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

The Board comprised a total of six Directors, being two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Wu Lijue and Mr. Mao Zili, served as executive Directors, Ms. Ouyang Ming served as a non-executive Director, and Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Mr. Yin Fusheng served as independent non-executive Directors as at 31 December 2023. These independent non-executive Directors, who have different business and professional backgrounds, have brought valuable experience and expertise for the best interests of the Group and its Shareholders. One of the independent non-executive Directors is a qualified accountant who has appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

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

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

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

RESPONSIBILITIES OF THE BOARD

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

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

APPOINTMENT AND RE-ELECTION OF NON-EXECUTIVE DIRECTOR

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

APPOINTMENT AND RE-ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles of Association. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence and must provide an annual confirmation of his independence to the Company. Specific enquiry has been made to each of the independent non-executive Directors to confirm their independence under the Listing Rules, and each of them confirms that he is independent and there has been no circumstances which would render him not to be independent as contemplated under the Listing Rules. In addition, the Board is committed to reviewing and assessing the Directors' independence annually in order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, for example, by reviewing the proportion of independent non-executive Directors on the Board and the Board committees, regularly evaluating the independence of all non-executive Directors, striving to ensure that all Directors have equal opportunities and channels to communicate and express their independent views and opinions to the Board and the Board committees. Up to the date of this report, no independent non-executive Director has served the Company for more than 9 years.

Each of our independent non-executive Directors has been appointed for an initial term of two years commencing from 19 February 2020 or 25 March 2024 renewable automatically for a term of one year commencing from the next day after the expiry of the initial term of appointment, and can be terminated by not less than one month's notice in writing served by our independent non-executive Directors or our Company after the end of the initial term.

BOARD COMMITTEES

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

Audit Committee

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

As at 31 December 2023, our audit committee comprised three members, namely Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Mr. Yin Fusheng; and as at the date of this report, our audit committee comprised three members, namely Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Ms. Shi Ying, all of whom are our independent non-executive Directors. Mr. Lau Kwok Fai Patrick, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the audit committee.

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

During the Year Under Review, the audit committee had held two meetings and all the members attended the meetings. The attendance records of committee members at these meetings are set out in the section headed "Board Proceedings and Individual Attendance" of this report. The audit committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2023 and accounting principles and practices adopted for the Group, as well as the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit functions for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this annual report complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

Remuneration Committee

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

As at 31 December 2023, our remuneration committee comprised three members, namely Mr. Yin Fusheng, Mr. Zhong Hui and Mr. Lau Kwok Fai Patrick, all of whom are our independent non-executive Directors, and the chairman of our remuneration committee was Mr. Yin Fusheng. As at the date of this report, our remuneration committee comprised three members, namely Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Ms. Huang Jieli, of whom Mr. Lau Kwok Fai Patrick and Mr. Zhong Hui are our independent non-executive Directors, and the chairman of our remuneration committee was Mr. Zhong Hui.

The primary responsibilities of our remuneration committee include, among others, (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; (iii) making recommendations to our Board on the remuneration packages of Directors and senior management; (iv) assessing performance of executive Directors; (v) approving the terms of executive Directors' service contracts; and (vi) reviewing and/or approving matters relating to share schemes under chapter 17 of the Listing Rules.

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

Nomination Committee

We established a nomination committee on 19 February 2020 with written terms of reference in compliance with the code provisions of the CG Code set out in Appendix C1 to the Listing Rules.

As at 31 December 2023, our nomination committee comprised three members, namely Mr. Wu Lijue, Mr. Yin Fusheng and Mr. Zhong Hui, of whom Mr. Yin Fusheng and Mr. Zhong Hui are our independent non-executive Directors and Mr. Wu Lijue is the founder of our Group, an executive Director, the chairman of our Board, our chief executive officer and one of our Controlling Shareholders, and the chairman of our nomination committee was Mr. Wu Lijue. As at the date of this report, our nomination committee comprised three members, namely Mr. Wu Lijue, Mr. Lau Kwok Fai Patrick and Mr. Zhong Hui, of whom Mr. Lau Kwok Fai Patrick and Mr. Zhong Hui are our independent non-executive Directors, and the chairman of our nomination committee was Mr. Wu Lijue.

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

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

Nomination criteria

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

(i) character and integrity;

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

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

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

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

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

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

Nomination Procedures

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

Appointment of New and Replacement Directors

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

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

Re-election of Directors and Nomination from Shareholders

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

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

REMUNERATION OF MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Pursuant to code provision E.1.5 of the CG Code, the remuneration of members of the senior management by band for the year ended 31 December 2023 is set out below:

	Number of members of senior management
Nil to RMB1,000,000	2
Over RMB1,000,000	–

Details of the remuneration of each Director for the year ended 31 December 2023 are set out in Note 10 to the Financial Statements for the year ended 31 December 2023.

BOARD DIVERSITY POLICY

We have adopted the board diversity policy (the "**Board Diversity Policy**") with a view to achieving a sustainable and balanced development. Our Board has a balanced composition comprising six Directors, including one female Director and five male Directors as at 31 December 2023. Our Directors aged between late-forty and mid-sixty as at 31 December 2023, and were from different backgrounds including the metallurgy industry and the academia. Our Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates of our Directors will be based on a range of diversity perspectives, including but not limited to gender, age, culture, race, educational background, professional experience, skills and knowledge. We aim to achieve a balanced composition of our Board by ensuring appropriate balance of diversity in various aspects, including gender diversity, so as to enable our Board to discharge its duties and responsibilities effectively. The Company considers that the composition of the current Board satisfies the Board Diversity Policy. The Company will continue to take gender diversity into consideration during recruitment and increase the female proportion at all levels over time with the ultimate goal of achieving gender parity, such that there is a pipeline of female senior management and potential successors to the Board in the future. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. We planned to identify female candidates and appoint at least one more female director on the Board within three years.

As at 31 December 2023, the Group employed a total of 678 full time employees. The gender ratio in the workforce was as follows:

Overall male to female ratio	Male 81.6%; Female 18.4%
By rank and gender:	
Senior management	Male 66.7%; Female 33.3%
Middle management	Male 74.3%; Female 25.7%
General and technical staff	Male 83.2%; Female 16.8%

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

Our nomination committee is responsible for the implementation of the Board Diversity Policy and compliance with relevant codes governing board diversity under the CG Code as set forth in Appendix C1 to the Listing Rules. Our nomination committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report the implementation of the Board Diversity Policy on an annual basis. The effective implementation of the Board Diversity Policy will also depend on our Shareholders' judgement on the suitability of individual candidates and their views on the scale of gender diversity of our Board. As such, we will provide our Shareholders with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior to general meetings of our Company.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

All Directors are provided with regularly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge his/her duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of Mr. Wu Lijue, Mr. Mao Zili, Ms. Ouyang Ming, Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Mr. Yin Fusheng during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices. In August 2023, a training session was provided to each of the Directors with topics of legal and regulatory duties of directors and the Listing Rules.

BOARD PROCEEDINGS AND INDIVIDUAL ATTENDANCE

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

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

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

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

Details of the attendance records of Directors on Board meetings and Board committee meetings for the year ended 31 December 2023 are as follows:

Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Wu Lijue *(Chairman)*	5/5	–	–	2/2	1/1
Mr. Mao Zili	5/5	–	–	–	1/1
Non-executive Director					
Ms. Ouyang Ming	5/5	–	–	–	1/1
Independent Non-executive Directors					
Mr. Lau Kwok Fai Patrick	5/5	2/2	2/2	–	1/1
Mr. Zhong Hui	5/5	2/2	2/2	2/2	1/1
Mr. Yin Fusheng (resigned on 5 February 2024)	5/5	2/2	2/2	2/2	1/1

Subsequent to the year ended 31 December 2023 and up to date of this report, the Board held another Board meeting in March 2024 for the main purposes of approving the annual results of the Group for the year ended 31 December 2023 and this annual report for publication and formulating business development strategies. All Directors, except Mr. Yin Fusheng who resigned as an independent non-executive Director with effect from 5 February 2024, attended such meeting.

COMPANY SECRETARY

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

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

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial reporting

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

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

Internal control and risk management

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

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

BUSINESS COMPLIANCE AND ANTI-CORRUPTION

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

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

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

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

EXTERNAL AUDITOR

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

For the year ended 31 December 2023, the total remuneration paid to the external auditors for audit services and non-audit services (which mainly included interim review services) amounted to approximately RMB1.5 million and RMB0.6 million, respectively.

There was no disagreement between the Board and the audit committee on the selection and appointment of the external auditor during the year ended 31 December 2023.

SHAREHOLDERS' RIGHTS

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

Right to convene extraordinary general meeting

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

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

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

Right to put enquires to the Board

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

Procedures for putting forward proposals by Shareholders at general meetings

The procedures for Shareholders to put forward proposals at an annual general meeting or EGM include a written notice of those proposals being submitted by Shareholders, addressed to the company secretary of the Company at the Company's principal place of business in Hong Kong at Room E, 7th Floor, Derrick Industrial Building, No. 49 Wong Chuk Hang Road, Hong Kong. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution, or whether the proposal relates to the election of a person other than a Director as a director. The procedures for Shareholders to put forward proposals at an annual general meeting or EGM (including election of a person other than a Director as a director) are available on the Company's website or on request to the company secretary of the Company.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2023, there had been no significant change in the Company's constitutional documents, a copy of which is available on the websites of the Stock Exchange and the Company.

DIRECTORS' INSURANCE

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

INVESTOR RELATIONS

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

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

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

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

Hong Kong, 22 March 2024

REPORT OF THE DIRECTORS

The Directors are pleased in presenting the Directors' report together with the audited consolidated financial statements of the Company for the year ended 31 December 2023 (the "**Financial Statements**").

CORPORATE REORGANISATION

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

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2023 and the financial positions of the Company and the Group at that date are set out in the Financial Statements on pages 74 to 141.

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2023 (2022: Nil).

POLICY ON PAYMENT OF DIVIDENDS

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

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

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

CLOSURE OF THE REGISTER OF MEMBERS OF SHARES

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

For the purposes of determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on Monday, 27 May 2024, the register of members of the Company will be closed from Wednesday, 22 May 2024 to Monday, 27 May 2024 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with Computershare Hong Kong Investor Services Limited, the Company's share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on Tuesday, 21 May 2024.

BUSINESS REVIEW

A review of the business of the Group for the Year Under Review and a discussion on the Group's future business development are provided in the "Management Discussion and Analysis" section on pages 6 to 32. Financial highlights of the Group's performance during the Year Under Review using financial key performance indicators are provided in the "Financial Highlights" section on page 4. A financial summary for the last five years is provided in the "Financial Summary" section on page 142.

ENVIRONMENTAL POLICY

The Group is committed to supporting the environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promotes awareness towards environmental protection to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance. The Group has taken measures to ensure the compliance of our manufacturing operations with environmental related requirements, which include: designating dedicated personnel to handle environmental compliance matters; continuously improving production processes to reduce energy consumption; implementing stringent waste treatment at production facilities; treating waste generated in compliance with applicable environmental standards; and designating dedicated personnel to handle and dispose of any hazardous waste in accordance with relevant regulations.

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus, our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. During the year ended 31 December 2023, we did not have any significant disputes with our employees and we are confident that the Group maintains a good work relationship with its employees.

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

KEY RISKS AND UNCERTAINTIES

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

Market risk

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

Foreign exchange risk

Fluctuations in exchange rates will increase the Group's costs in Renminbi for overseas operations or reduce the revenue in Renminbi derived from overseas operations, or affect the prices of export products and the prices of imported equipment and materials. Any increase in costs or decrease in revenue as a result of exchange rate fluctuations may adversely affect the Group's profit margin. The value of Renminbi is affected by changes in PRC government policies and international economic and political developments. Most of the Group's assets and liabilities are denominated in Renminbi, except for certain payables to suppliers, bank borrowings and professional parties that are denominated in U.S. dollars and Hong Kong dollars. As Renminbi is not freely convertible, the Group is exposed to the risk that the PRC government may take actions affecting the exchange rate, which may have a material adverse effect on the net assets, earnings and any dividends declared by the Group if such dividends are to be converted or translated into foreign currencies.

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

Liquidity risk

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

Operational risk

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

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

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2023, the Group did not have any material contingent liabilities, on-going legal proceedings or potential proceedings threatened to be brought against the Group.

GOING CONCERN

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

PUBLIC FLOAT

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

CHARITY DONATIONS

During the Year Under Review, charity and other donations made by the Group were approximately RMB0.8 million (2022: approximately RMB1.2 million).

SHARE CAPITAL

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

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

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

RESERVES

Details of change in reserves of the Group are set out on page 78 of the "Consolidated Statement of Changes in Equity" of this report.

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution at 31 December 2023, calculated in accordance with the Companies Law of the Cayman Islands, was reserves of approximately RMB337.1 million (31 December 2022: approximately RMB316.3 million). Details of movements in reserves of the Company during the Year Under Review are set out in the "Statement of Financial Position of the Company" on pages 140 to 141 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2023 are set out in Note 13 to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARY COMPANIES

Details of the major subsidiary companies of the Company as at 31 December 2023 are set out in Note 1 to the Financial Statements.

PLEDGE OF ASSETS

As at 31 December 2023, certain of the Group's bank loans are secured by the pledge of certain of the Group's leasehold land and property, plant and equipment with net carrying amounts of approximately RMB29.2 million (31 December 2022: RMB20.5 million) and RMB38.3 million (31 December 2022: RMB47.6 million), respectively.

SHARE AWARD SCHEME

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

Purposes and objectives

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

Eligible participants

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

Duration

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

Scheme mandate limit and individual limit

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

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

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

Vesting period

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

Alteration of the Share Award Scheme

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

Termination

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

Number of awards available for grant

The number of awards available for grant under the scheme mandate limit of the Share Award Scheme and the number of options available for grant under the scheme mandate limit of the Amended Share Option Scheme shall not exceed 36,000,000 in aggregate as at 1 January 2023 and 31 December 2023.

SHARE OPTION SCHEME

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

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

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

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

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

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

   (iii) any related entity participant.

3. The maximum number of Shares that may be allotted under all share schemes (which include the Amended Share Option Scheme and the Share Award Scheme) was 36,000,000 Shares, representing 10% of the total issued Shares as at 5 December 2022. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting with such participant and his associates abstaining from voting. As at the date of this annual report, the total number of Shares available for issue upon the exercise of the options granted under the Amended Share Option Scheme was 36,000,000, representing 10% of the total issued Shares as at the date of this annual report.

4. The number of Shares issued and to be issued upon exercise of all options and awards granted to such person (excluding any options and awards lapsed) under the Amended Share Option Scheme and any other share scheme to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company ("**1% Individual Limit**"). Any further grant of options in excess of the 1% Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Rule 17.03E of the Listing Rules.

5. An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Amended Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Amended Share Option Scheme for the holding of an option before it can be exercised. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The vesting period of options granted under the Amended Share Option Scheme shall not be shorter than 12 months from the date of acceptance of the offer for the grant of options. The remuneration committee (or, as the case may be, our Directors) has the authority to determine a shorter vesting period if the participant is an Employee Participant and the remuneration committee (or, as the case may be, our Directors) considers that a shorter vesting period is appropriate to align with the purpose of the Amended Share Option Scheme.

6. The exercise price in respect of any option shall, subject to any adjustments made pursuant to the Amended Share Option Scheme, be at the discretion of our Directors, provided that it shall not be less than the highest of:

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

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

   (iii) (where applicable) the nominal value of a Share.

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

8. The number of options available for grant under the scheme mandate limit of the Amended Share Option Scheme and the number of awards available for grant under the scheme mandate limit of the Share Award Scheme shall not exceed 36,000,000 in aggregate as at 1 January 2023 and 31 December 2023.

TAX RELIEF AND EXEMPTION

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

DIRECTORS

The Directors of the Company during the Year Under Review and as at the date of this report have been:

Executive Directors

Mr. Wu Lijue *(Chairman)*
Mr. Mao Zili
Ms. Huang Jieli (appointed on 25 March 2024)

Non-executive Director

Ms. Ouyang Ming

Independent Non-executive Directors

Mr. Lau Kwok Fai Patrick
Mr. Zhong Hui
Mr. Yin Fusheng (resigned on 5 February 2024)
Ms. Shi Ying (appointed on 25 March 2024)

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 35 to 38 under the paragraph headed "Directors' and Senior Management's Biographies" in this report.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REMUNERATIONS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

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

The five highest paid individuals of the Group in the Year under Review include 1 Director (2022: 1 Director). Details of the five highest paid individuals are set out in Note 11 to the Financial Statements.

DIRECTORS' SERVICE CONTRACTS

Executive Directors

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

Non-executive Director and independent non-executive Directors

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

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

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes and updated information regarding the Directors are set out below:

Mr. Wu Lijue	The service agreement of Mr. Wu Lijue as an executive Director was renewed for a term of three years commencing from 19 February 2024.
Mr. Yin Fusheng	Resigned as an independent non-executive Director with effect from 5 February 2024.
Mr. Lau Kwok Fai Patrick	Appointed as a member of the nomination committee of the Company with effect from 5 February 2024.
	Resigned as an independent non-executive Director of Sundy Service Group Co. Ltd (stock code: 9608) with effect from 4 January 2024.
Mr. Zhong Hui	Appointed as the chairman of the remuneration committee of the Company with effect from 5 February 2024.
Ms. Huang Jieli	Appointed as an executive Director and a member of the remuneration committee of the Company with effect from 25 March 2024.
Ms. Shi Ying	Appointed as an independent non-executive Director and a member of the audit committee of the Company with effect from 25 March 2024.

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

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

COMPLETION OF ISSUE AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

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

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

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

As at 31 December 2023, the Group had used net proceeds of approximately HK$232 million, the following table illustrates the status of the use of net proceeds:

	%	Planned use of the net proceeds as disclosed in the Announcements (HK$ million)	Amount of net proceeds brought forward as at 1 January 2023 (HK$ million)	Actual utilised amount as at 31 December 2023 (HK$ million)	Unutilised amount as at 31 December 2023 (HK$ million)
Investment in fixed assets and general working capital purposes	100%	**232.8**	138.7	232	0.8

The unutilised amount of net proceeds of approximately HK$0.8 million is expected to be completely utilised by August 2024.

DISCLOSURE OF INTERESTS

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

As at 31 December 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 SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in the shares of the Company:

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

Notes:

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

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

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

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number and class of shares	Percentage of shareholding
Mr. Wu Lijue	Jiawei Resources Seychelles	Beneficial owner	1 ordinary share (L)	100%

Save as disclosed above, as at 31 December 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 31 December 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 31 December 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. (江西贛鋒鋰業集團股份有限公司) is a joint stock company established in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 002460) and the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1772). 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.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 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.

RELATED PARTY TRANSACTIONS

Details of related party transactions entered into by the Group during the Year Under Review are set out in Note 28 to the Financial Statements. None of those related party transactions constituted a discloseable connected transaction or continuing connected transaction as defined under the Listing Rules.

CONNECTED TRANSACTIONS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long and short-term bank borrowings. For the Year Under Review, the effective interest rate for fixed rate borrowings was from 3.4% to 6.6%. The currency of the borrowings is in Renminbi. Taking into account the cash flow generated from operations and the long and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this report.

As at 31 December 2023, the Group had cash and bank balances of approximately RMB115.5 million (31 December 2022: approximately RMB325.4 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year Under Review, the total turnover of the Group's five largest customers accounted for approximately 36.5% of the Group's revenue, in which turnover from the largest customer of the Group accounted for approximately 11.1% of the total revenue of the Group. During the same period, total purchases of the Group's five largest suppliers accounted for approximately 50.2% of the Group's total cost of sales, in which purchase from the largest supplier of the Group accounted for approximately 22.3% of the total cost of sales of the Group.

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

EMPLOYEE BENEFITS

Details of the employee benefits of the Group for the year ended 31 December 2023 are set out in Note 2.4 to the Financial Statements. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions.

PERMITTED INDEMNITY PROVISION

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

COMPANY SECRETARY

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

EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

The Financial Statements for the year ended 31 December 2023 have been audited by Ernst & Young, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company is to be proposed at the forthcoming annual general meeting.

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

Hong Kong, 22 March 2024

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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979 King's Road
Quarry Bay, Hong Kong

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

OPINION

We have audited the consolidated financial statements of Ximei Resources Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 141, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Net realisable value of inventories	
The Group's inventories amounted to RMB682.0 million as at 31 December 2023, representing 35.4% of the total assets of the Group. Significant management estimation was required in assessing the net realisable value of the inventories, with reference to the estimated selling prices. There were also estimations required in determining inventory obsolescence provisions as these were based on forecasted inventory usage and sales. Owing to the significance of inventories and the significant estimation involved in determining the net realisable value, we considered this as a key audit matter. The related disclosures are included in notes 3 and 16 to the consolidated financial statements.	Our audit procedures included attending inventory counts to observe the physical condition of a sample of inventories selected as at the year end. We assessed the obsolescence provision policy and compared the provision with historical data and actual inventory usage. We also assessed the net realisable value by comparing the unit prices of subsequent sales with the unit costs for selected items.
Provision for expected credit losses of trade receivables	
The Group's trade receivables, excluding bills receivables, amounted to RMB261.7 million as at 31 December 2023, representing 13.6% of the total assets of the Group. The measurement of expected credit loss ("ECL") required the application of significant estimation which included the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL model, such as the forward-looking information. Owing to the significance of the trade receivables and the significant estimation involved in determining the ECL, we considered this as a key audit matter. The related disclosures are included in notes 3 and 17(b) to the consolidated financial statements.	Our procedures included assessing the Group's policies and procedures in the estimations of the ECL and checking subsequent settlements after the year end. We assessed the assumptions and inputs in the ECL model by considering the historical customer payment behaviour, the creditworthiness of customers, the ageing of the trade receivables and other macroeconomic consideration. We also assessed the adequacy of disclosures in relation to the impairment assessment of trade receivables in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is CHENG Man.

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	1,403,169	1,019,600
Cost of sales		(1,092,745)	(713,700)
Gross profit		310,424	305,900
Other income and gains, net	6	13,531	5,499
Selling and distribution expenses		(14,779)	(8,287)
Administrative expenses		(156,479)	(118,761)
Other operating expenses, net		(8,665)	(37,003)
Finance costs	7	(23,520)	(20,968)
Share of loss of an associate		(2,806)	(2,246)
PROFIT BEFORE TAX	8	117,706	124,134
Income tax expense	9	(14,169)	(16,667)
PROFIT FOR THE YEAR		103,537	107,467
Attributable to:			
Shareholders of the Company		87,142	104,734
Non-controlling interest		16,395	2,733
		103,537	107,467
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (in RMB)	12	0.24	0.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
PROFIT FOR THE YEAR	**103,537**	107,467
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**477**	4,055
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	**3,157**	8,155
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**3,634**	12,210
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**107,171**	119,677
Attributable to:		
Shareholders of the Company	**90,776**	116,944
Non-controlling interest	**16,395**	2,733
	107,171	119,677

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	385,340	304,123
Right-of-use assets	14(a)	98,983	99,009
Investment in an associate	15	24,566	12,072
Prepayments, deposits and other receivables	18	39,084	88,627
Deferred tax assets	9(b)	10,357	–
Total non-current assets		558,330	503,831
CURRENT ASSETS			
Inventories	16	682,012	511,000
Trade and bills receivables	17	397,878	236,528
Prepayments, deposits and other receivables	18	166,857	122,309
Income tax recoverable		7,605	–
Cash and bank balances	19	115,547	325,414
Total current assets		1,369,899	1,195,251
CURRENT LIABILITIES			
Trade payables	20	54,280	86,306
Other payables and accruals	21	96,951	85,759
Income tax payables		14,117	9,469
Bank borrowings	22	536,816	315,097
Lease liabilities	14(b)	13,776	21,333
Total current liabilities		715,940	517,964
NET CURRENT ASSETS		653,959	677,287
TOTAL ASSETS LESS CURRENT LIABILITIES		1,212,289	1,181,118
NON-CURRENT LIABILITIES			
Bank borrowings	22	101,862	167,445
Lease liabilities	14(b)	4,247	11,567
Total non-current liabilities		106,109	179,012
Net assets		1,106,180	1,002,106

	Notes	2023 RMB'000	2022 RMB'000
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	23	**3,228**	3,228
Reserves	25	**1,026,780**	937,591
		1,030,008	940,819
Non-controlling interest		**76,172**	61,287
Total equity		**1,106,180**	1,002,106

Mr. Wu Lijue
Director

Mr. Mao Zili
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to shareholders of the Company												
	Issued capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000 (note 24)	Capital reserve RMB'000 (note 25)	Merger reserve RMB'000 (note 25)	PRC statutory reserve RMB'000	Exchange fluctuation reserve RMB'000 (note 25)	Specific reserve RMB'000 (note 25)	Other reserve RMB'000 (note 25)	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2022	2,712	128,676	–	34,347	8,803	64,400	(2,865)	8,095	9	378,600*	622,777	–	622,777
Profit for the year	–	–	–	–	–	–	–	–	–	104,734	104,734	2,733	107,467
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	4,055	–	–	–	4,055	–	4,055
Exchange differences on translation of the Company's financial statements	–	–	–	–	–	–	8,155	–	–	–	8,155	–	8,155
Total comprehensive income for the year	–	–	–	–	–	–	12,210	–	–	104,734	116,944	2,733	119,677
Utilisation of specific reserve, net	–	–	–	–	–	–	–	(4,216)	–	4,216	–	–	–
Issue of new shares (note 23)	516	199,508	–	–	–	–	–	–	–	–	200,024	–	200,024
Transfer to PRC statutory reserve	–	–	–	–	–	7,369	–	–	–	(7,369)	–	–	–
Purchase of shares under share award scheme	–	–	(372)	–	–	–	–	–	–	–	(372)	–	(372)
Deemed disposal of partial interest in a subsidiary	–	–	–	1,446	–	–	–	–	–	–	1,446	58,554	60,000
At 31 December 2022	3,228	328,184*	(372)*	35,793*	8,803*	71,769*	9,345*	3,879*	9*	480,181*	940,819	61,287	1,002,106

	Attributable to shareholders of the Company												
	Issued capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000 (note 24)	Capital reserve RMB'000 (note 25)	Merger reserve RMB'000 (note 25)	PRC statutory reserve RMB'000	Exchange fluctuation reserve RMB'000 (note 25)	Specific reserve RMB'000 (note 25)	Other reserve RMB'000 (note 25)	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2023	3,228	328,184	(372)	35,793	8,803	71,769	9,345	3,879	9	480,181	940,819	61,287	1,002,106
Profit for the year	–	–	–	–	–	–	–	–	–	87,142	87,142	16,395	103,537
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	477	–	–	–	477	–	477
Exchange differences on translation of the Company's financial statements	–	–	–	–	–	–	3,157	–	–	–	3,157	–	3,157
Total comprehensive income for the year	–	–	–	–	–	–	3,634	–	–	87,142	90,776	16,395	107,171
Utilisation of specific reserve, net	–	–	–	–	–	–	–	(131)	–	131	–	–	–
Purchase of shares under share award scheme	–	–	(1,587)	–	–	–	–	–	–	–	(1,587)	–	(1,587)
Dividend paid to the non-controlling equity holder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(1,510)	(1,510)
Transfer to PRC statutory reserve	–	–	–	–	–	14,219	–	–	–	(14,219)	–	–	–
At 31 December 2023	3,228	328,184	(1,959)*	35,793*	8,803*	85,988*	12,979*	3,748*	9*	553,235*	1,030,008	76,172	1,106,180

* These reserve accounts comprise the consolidated reserves of RMB1,026,780,000 (2022: RMB937,591,000) in the consolidated statement of financial position as at 31 December 2023.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**117,706**	124,134
Adjustments for:			
Finance costs	7	**23,520**	20,968
Share of loss of an associate		**2,806**	2,246
Depreciation of property, plant and equipment	8	**31,686**	17,258
Depreciation of right-of-use assets	8	**8,070**	6,001
Loss on disposal of items of property, plant and equipment	8	**1,334**	197
Impairment of/(reversal of impairment) of trade receivables	8	**1,469**	(316)
Interest income	6	**(2,346)**	(2,682)
		184,245	167,806
Increase in inventories		**(171,012)**	(255,168)
Increase in trade and bills receivables		**(164,061)**	(106,090)
Decrease/(increase) in prepayments, deposits and other receivables		**(38,335)**	67,496
Increase/(decrease) in trade payables		**(30,483)**	79,841
Increase in other payables and accruals		**11,096**	30,448
Cash used in operations		**(208,550)**	(15,667)
Payment of interest on lease liabilities	14(b)	**(2,628)**	(2,347)
Hong Kong profits tax paid		**(16,491)**	(12,358)
PRC corporate income tax paid		**(11,066)**	(11,904)
Net cash flows used in operating activities		**(238,735)**	(42,276)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investment in an associate		**(15,300)**	(9,818)
Return of capital from an associate		**–**	37,313
Additions to prepaid land lease payments included in right-of-use assets		**(132)**	(31,977)
Purchases of items of property, plant and equipment		**(71,941)**	(106,759)
Prepayments and deposits paid for acquisition of property, plant and equipment		**–**	(59,866)
Proceeds from disposal of items of property, plant and equipment		**705**	–
Interest received		**2,346**	2,682
Net cash flows used in investing activities		**(84,322)**	(168,425)

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares	23	–	200,024
New bank loans	26(b)	648,811	671,078
Repayment of bank loans	26(b)	(492,675)	(533,661)
Repayment of lease liabilities	14(b)	(21,056)	(20,559)
Payment of interest on bank borrowings		(20,129)	(20,831)
Purchase of shares held for share award scheme		(1,587)	(372)
Capital contribution from a minority equity holder of a subsidiary		–	60,000
Net cash flows from financing activities		113,364	355,679
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(209,693)	144,978
Cash and cash equivalents at beginning of year		325,414	169,939
Effect of foreign exchange rate changes, net		(174)	10,497
CASH AND CASH EQUIVALENTS AT END OF YEAR		115,547	325,414
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		115,547	325,414

1. CORPORATE INFORMATION

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

During the year, the Company and its subsidiaries (collectively the "Group") were principally engaged in the manufacture, sale and trading of non-ferrous metal products and the provision of related processing services to customers.

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinjia Group Limited 新佳集團有限公司	Seychelles	United States dollars ("US$") 1	100	–	Investment holding
Ximei Resources (Guangdong) Limited* 稀美資源(廣東)有限公司#	People's Republic of China ("PRC")/ Mainland China	Renminbi ("RMB") 228,800,000	–	100	Manufacture, sale and trading sale of non-ferrous metal products
Ximei Resources (Hong Kong) Limited 稀美資源(香港)有限公司	Hong Kong	Hong Kong dollars ("HK$") 10,000	–	100	Trading of non-ferrous metal products
Ximei Resources (Guizhou) Technology Limited* 稀美資源(貴州)科技有限公司	PRC/ Mainland China	RMB160,000,000	–	62.5	Manufacture, sale and trading sale of non-ferrous metal products

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Ximei (Hainan) Trading Limited* 稀美(海南)貿易有限公司	PRC/ Mainland China	RMB10,000,000	–	100	Trading of non-ferrous metal products
Guizhou Ximei Recycling Technology Co., Ltd* 貴州稀美循環科技有限公司	PRC/ Mainland China	RMB2,000,000	–	62.5	Trading of non-ferrous metal products
Ximei Resources (Leizhou) Limited* 稀美資源(雷州)有限公司	PRC/ Mainland China	RMB100,000,000	–	100	Manufacture, sale and trading of non-ferrous metal products (currently at set-up stage)
Ximei Resources (Guiyang) Limited* 稀美資源(貴陽)有限公司	PRC/ Mainland China	RMB100,000,000	–	100	Investment holding
Ximei (Guiyang) Technology Limited* 稀美(貴陽)科技有限公司	PRC/ Mainland China	RMB100,000,000	–	100	Manufacture, sale and trading of non-ferrous metal products (currently at set-up stage)

* The English names of these companies are direct translations of their Chinese names for identification purpose only as no English names have been registered.

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2. ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 17	*Insurance Contracts*
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 nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 *Income Taxes* so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The amendments did not have any impact to the Group.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")* [1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the 2022 Amendments)*[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The Group intends to apply these revised HKFRSs, if applicable, when they become effective. Further information about those HKFRSs that are expected to be applicable to the Group is described below:

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

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

2. ACCOUNTING POLICIES (Continued)

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

(c) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

(d) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

(e) Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

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

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

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a holding company of the Group;

or

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

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

Group as a lessee

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

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

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

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

(b) Lease liabilities

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

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

The Group applies the short-term lease recognition exemption to its short-term leases of staff quarters (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on the straight-line basis over the lease term.

Impairment of non-financial assets

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

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost or fair value through profit or loss, as appropriate.

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

In order for a financial asset (debt instrument) to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets (debt instruments) with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets (debt instruments) refers to how it manages its financial assets (debt instruments) in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets (debt instruments), or both. Financial assets (debt instruments) classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets (debt instruments) classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets (debt instruments) which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at amortised cost (debt instruments)

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

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are foreign currency forward contracts that meet the definition of a derivative as defined by HKFRS 9 Financial Instruments and are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss, as further detailed in the policy set out for "Derivative financial instruments" below.

Derecognition

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

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

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

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment

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

(a) General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment (Continued)

(a) General approach (Continued)

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

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

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

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

(b) Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost, or as financial liabilities at fair value through profit or loss. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at amortised cost

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

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

(b) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are foreign currency forward contracts that meet the definition of a derivative as defined by HKFRS 9. They are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss, as further detailed in the policy set out for "Derivative financial instruments" below.

Derecognition

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

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

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Offsetting of financial instruments

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

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

Income tax

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

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

(a) Sale of products

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

(b) Provision of processing services

Processing service income is recognised in the accounting period in which the services are rendered.

Interest income

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Contract liabilities

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

Employee benefits

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

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

Borrowing costs

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

Foreign currencies

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Write-down of inventories to net realisable value

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

The identification of obsolete and slow-moving inventory items and estimation of net realisable values requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made. The carrying amount of inventories at 31 December 2023 was RMB682,012,000 (2022: RMB511,000,000).

Provision for expected credit losses on trade receivables

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the consolidated financial statements. The carrying amount of trade and bills receivables as at 31 December 2023 was RMB397,878,000 (2022: RMB236,528,000).

Revenue from contracts with customers – principal versus agent consideration

The Group applies judgements in regard to whether the Group controls the promised goods before transferring them to the customers and determines its role as a principal for trading of non-ferrous metal products. In this regard, when the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration for the trading transactions.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
The PRC	**1,177,379**	864,436
United States of America	**124,433**	92,275
European Union	**69,433**	26,015
Other countries	**31,924**	36,874
Total revenue	**1,403,169**	1,019,600

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

(b) Non-current assets

No geographical information about the Group's non-current assets is presented as more than 90% of the Group's non-current assets as at 31 December 2023 and 2022 were located in the PRC.

Information about a major customer

During each of the years ended 31 December 2023 and 2022, revenue from to a customer accounted for 10% or more of the Group's revenue for the reporting period and the amounts of revenue from this customer for each of these years are set out below:

	2023 RMB'000	2022 RMB'000
Customer A	**155,564**	108,912

5. REVENUE

Revenue of the Group for each of the years ended 31 December 2023 and 2022 wholly represented revenue from contracts with customers.

Notes:

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Types of goods or services		
Sale of non-ferrous metal products	**1,155,882**	777,554
Trading of non-ferrous metal products	**215,333**	154,762
Provision of non-ferrous metal processing services	**31,954**	87,284
Total	**1,403,169**	1,019,600
Timing of revenue recognition		
Goods transferred and services transferred at a point in time	**1,403,169**	1,019,600

Geographical markets

The revenue information by geographical market, based on the locations of the customers, is disclosed in note 4 to the financial statements.

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

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of non-ferrous metal products	**3,611**	2,215

(b) Performance obligations

Sale and trading of non-ferrous metal products

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

Provision of non-ferrous metal processing services

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

The Group has applied the practical expedient in HKFRS 15 to all of its revenue for not disclosing the remaining performance obligations under the Group's existing contracts as the performance obligations are expected to be recognised as revenue with an original expected duration of one year or less.

6. OTHER INCOME AND GAINS, NET

	2023 RMB'000	2022 RMB'000
Other income		
Bank interest income	2,346	2,682
Government grants*	7,872	2,094
	10,218	4,776
Gains, net		
Fair value gain of derivative financial instruments, net	1,816	–
Others	1,497	723
	3,313	723
	13,531	5,499

* Government grants mainly represented (i) additional input value-added tax credit provided by relevant PRC local government authorities to a subsidiary of the Group which is qualified as a High New Technology Enterprise in the PRC and (ii) subsidies received from the PRC local government authorities to support certain subsidiaries' research and development activities. There are no unfulfilled conditions or contingencies relating to these gains.

7. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on bank loans	20,129	20,831
Discount on bill discounting	1,242	–
Interest on lease liabilities	2,628	2,347
Total finance costs	23,999	23,178
Less: Interest capitalised in respect of construction in progress	(479)	(2,210)
	23,520	20,968

8. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold:			
Self-produced goods		**858,813**	486,619
Trading goods		**201,976**	150,054
		1,060,789	636,673
Cost of services provided		**31,956**	77,027
Depreciation of property, plant and equipment	13	**31,686**	17,258
Depreciation of right-of-use assets	14(a)	**8,070**	6,001
Research and development expenditure		**66,553**	47,642
Lease payments not included in the measurement of lease liabilities	14(c)	**411**	158
Auditor's remuneration		**2,112**	2,006
Employee benefit expense (including directors' remuneration (note 10)):			
Wages and salaries		**79,186**	60,510
Pension scheme contributions*		**11,904**	2,133
		91,090	62,643
Loss on disposal of items of property, plant and equipment#		**1,334**	197
Impairment/(reversal of impairment) of trade receivables, net#	17(b)	**1,469**	(316)
Foreign exchange differences, net#		**4,146**	35,947

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

\# These items are included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.

9. INCOME TAX

	2023 RMB'000	2022 RMB'000
Current – Hong Kong		
Charge for the year	**6,458**	9,693
Underprovision in prior year	**1,271**	–
Current – The PRC		
Charge for the year	**16,687**	5,053
Underprovision in prior year	**110**	1,921
	24,526	16,667
Deferred (note (c))	**(10,357)**	–
Total tax expense for the year	**14,169**	16,667

Notes:

(a) 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 year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime in Hong Kong. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Tax on profits assessable in Mainland China has been calculated at the PRC corporate income tax ("CIT") rate of 25% (2022: 25%), except that Ximei Resources (Guangdong) Limited and Ximei Resources (Guizhou) Limited which were qualified as high and new technology enterprises enjoyed preferential CIT rates of 15% (2022: 15%) and 15% (2022: 25%), respectively.

(b) A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory tax rate of 25% in which the majority of the Group's operating entities are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2023 RMB'000	2023 %	2022 RMB'000	2022 %
Profit before tax	**117,706**		124,134	
Tax expense at the statutory tax rate	**29,427**	**25.0**	31,034	25.0
Lower tax rate enacted by local authority	**(6,332)**	**(5.4)**	(5,904)	(4.8)
Lower tax rates for subsidiaries operating in other jurisdictions	**(2,648)**	**(2.2)**	(5,069)	(4.1)
Adjustments in respect of current tax of previous periods	**1,382**	**1.2**	1,921	1.5
Additional tax deduction on research and development expenses of PRC subsidiaries	**(9,361)**	**(8.0)**	(5,930)	(4.8)
Loss attributable to an associate	**421**	**0.4**	337	0.3
Income not subject to tax	**(708)**	**(0.6)**	(306)	(0.2)
Expenses not deductible for tax	**1,858**	**1.6**	2,114	1.7
Tax losses utilised from previous periods	**–**	**–**	(2,178)	(1.8)
Others	**130**	**0.2**	648	–
Tax expense at the Group's effective rate	**14,169**	**12.0**	16,667	13.4

9. INCOME TAX (Continued)

Notes: (Continued)

(c) Deferred tax assets

The movement in deferred tax assets during the year are as follows:

	Deductible temporary differences arising from unrealised profit of intragroup transactions
At 1 January 2022, 31 December 2022 and 1 January 2023	–
Deferred tax credited to profit or loss during the year	10,357
At 31 December 2023	10,357

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

	2023 RMB'000	2022 RMB'000
Tax losses	**13,673**	411
Deductible temporary differences	**2,144**	1,659
	15,817	2,070

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable tax rate is 10% on dividends distributed by those subsidiaries established in the PRC to their foreign investors, if any.

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of subsidiaries of the Group established in the PRC which amounted to RMB605.9 million (2022: RMB528.3 million). In the opinion of the directors, the Group will retain all of the distributable profits of the PRC's subsidiaries for their operations in Mainland China and no dividend will be declared in the foreseeable future. Hence, no deferred tax for withholding tax was recognised.

10. DIRECTORS' REMUNERATION

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

	2023 RMB'000	2022 RMB'000
Fees	315	314
Other emoluments:		
Salaries, allowances and benefits in kind	1,910	1,782
Pension scheme contributions	16	36
	1,926	1,818
Total	2,241	2,132

An analysis of the directors' remuneration for the year, on a named basis, is as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2023				
Executive directors:				
Mr. Wu Lijue*	–	901	16	917
Mr. Mao Zili^	–	901	–	901
	–	1,802	16	1,818
Non-executive director:				
Ms. Ouyang Ming@	–	108	–	108
Independent non-executive directors:				
Mr. Lau Kwok Fai Patrick	135	–	–	135
Mr. Zhong Hui	90	–	–	90
Mr. Yin Fusheng	90	–	–	90
	315	–	–	315
Total directors' remuneration	315	1,910	16	2,241

10. DIRECTORS' REMUNERATION (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2022				
Executive directors:				
Mr. Wu Lijue*	–	893	16	909
Mr. Mao Zili^	–	540	–	540
Ms. Wu Shandan%	–	314	20	334
	–	1,747	36	1,783
Non-executive director:				
Ms. Ouyang Ming@	–	35	–	35
Independent non-executive directors:				
Mr. Lau Kwok Fai Patrick	134	–	–	134
Mr. Zhong Hui	90	–	–	90
Mr. Yin Fusheng	90	–	–	90
	314	–	–	314
Total directors' remuneration	314	1,782	36	2,132

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

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

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

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

Notes:

(a) There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

(b) During the year, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office (2022: Nil).

(c) There were no other emoluments paid or payable to the independent non-executive directors of the Company during the year (2022: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year ended 31 December 2023 included one director (2022: one), details of whose remuneration are set out in note 10 above. Details of the remuneration of the four (2022: four) non-director highest paid employees for the year are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,747	2,364
Pension scheme contributions	228	225
Total	2,975	2,589

The remuneration of each of the non-director highest paid employees for each of the years ended 31 December 2023 and 2022 fell within the band of Nil to HK$1,000,000 (equivalent to RMB900,000).

During the year, no remuneration was paid by the Group to any of these non-director highest paid employees as an inducement to join or upon joining the Group, or as a compensation for loss of office (2022: Nil). There was no arrangement under which any of these non-director highest paid employees waived or has agreed to waive any emoluments during the year (2022: Nil).

12. 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 year attributable to shareholders of the Company of RMB87,142,000 (2022: RMB104,734,000), and the weighted average number of ordinary shares of 359,550,418 (2022: 325,641,500) in issue during the year. The weighted average number of ordinary shares has been arrived at after deducting the shares held by trustee under the share award scheme of the Company.

No adjustment has been made to the basic earnings per share amount presented for each of the years ended 31 December 2023 and 2022 for a dilution as the Group has no potential ordinary shares in issue during these years.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000 (note (a))	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023						
At 1 January 2023:						
Cost	54,899	111,269	1,945	5,124	207,924	381,161
Accumulated depreciation	(25,562)	(47,114)	(801)	(3,561)	–	(77,038)
Net carrying amount	29,337	64,155	1,144	1,563	207,924	304,123
Net carrying amount:						
At 1 January 2023	29,337	64,155	1,144	1,563	207,924	304,123
Additions	2,363	6,995	1,100	533	99,140	110,131
Transfers	120,194	115,660	4,395	2,581	(242,830)	–
Transfer from right-of-use assets	–	4,810	–	–	–	4,810
Depreciation provided during the year	(6,229)	(23,769)	(925)	(763)	–	(31,686)
Disposals	(158)	(1,801)	(4)	(76)	–	(2,039)
Exchange realignment	–	–	1	–	–	1
At 31 December 2023	145,507	166,050	5,711	3,838	64,234	385,340
At 31 December 2023:						
Cost	177,235	238,735	7,440	8,239	64,234	495,883
Accumulated depreciation	(31,728)	(72,685)	(1,729)	(4,401)	–	(110,543)
Net carrying amount	145,507	166,050	5,711	3,838	64,234	385,340

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000 (note (a))	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022						
At 1 January 2022:						
Cost	54,211	77,900	1,396	4,850	86,075	224,432
Accumulated depreciation	(22,428)	(33,925)	(544)	(2,737)	–	(59,634)
Net carrying amount	31,783	43,975	852	2,113	86,075	164,798
Net carrying amount:						
At 1 January 2022	31,783	43,975	852	2,113	86,075	164,798
Additions	–	23	375	46	156,284	156,728
Transfers	688	33,345	174	228	(34,435)	–
Depreciation provided during the year	(3,134)	(12,997)	(251)	(876)	–	(17,258)
Disposals	–	(191)	(6)	–	–	(197)
Exchange realignment	–	–	–	52	–	52
At 31 December 2022	29,337	64,155	1,144	1,563	207,924	304,123
At 31 December 2022:						
Cost	54,899	111,269	1,945	5,124	207,924	381,161
Accumulated depreciation	(25,562)	(47,114)	(801)	(3,561)	–	(77,038)
Net carrying amount	29,337	64,155	1,144	1,563	207,924	304,123

Notes:

(a) At 31 December 2023, building ownership certificates for certain buildings of the Group with an aggregate carrying amount of approximately RMB7,797,000 (2022: RMB7,941,000) have not yet been obtained. In the opinion of the Company's directors, the risk of the Group not being able to obtain the legal titles for the relevant properties is low and the Group will continue to complete the ownership registration of the buildings.

(b) At 31 December 2023, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB58,629,000 (2022: RMB47,634,000) were pledged to secure the Group's bank loans (note 22(b)).

14. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Leasehold land RMB'000	Plant and machinery RMB'000	Offices RMB'000	Total RMB'000
At 1 January 2022	21,608	25,379	1,851	48,838
Additions	31,977	26,722	–	58,699
Depreciation provided during the year	(617)	(4,019)	(1,365)	(6,001)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(2,593)	–	(2,593)
Exchange realignment	–	–	66	66
At 31 December 2022 and 1 January 2023	52,968	45,489	552	99,009
Additions	6,675	–	3,889	10,564
Depreciation provided during the year	(1,175)	(5,237)	(1,658)	(8,070)
Transfer to property, plant and equipment	–	(4,810)	–	(4,810)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	2,284	–	2,284
Exchange realignment	–	–	6	6
At 31 December 2023	58,468	37,726	2,789	98,983

Notes:

(i) At 31 December 2023, certain of the Group's leasehold land with a net carrying amount of approximately RMB28,821,000 (2022: RMB20,467,000) were pledged to secure the Group's bank loans (note 22(b)).

(ii) At 31 December 2023, the ownership certificates in respect of certain leasehold land of the Group with an aggregate carrying amount of approximately RMB3,193,000 (2022: RMB6,543,000) have not yet been obtained. In the opinion of the Company's directors, the risk of the Group not being able to obtain the legal titles for the relevant land is low and the Group will continue to complete the ownership registration of the land.

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2023 RMB'000	2022 RMB'000
At 1 January	**32,900**	29,261
New leases	**3,889**	26,722
Accretion of interest recognised during the year	**2,628**	2,347
Payments	**(23,684)**	(22,906)
Remeasurement arising from revision of lease terms	**2,284**	(2,593)
Exchange realignment	**6**	69
At 31 December	**18,023**	32,900
Portion classified as current liabilities	**(13,776)**	(21,333)
Non-current portion	**4,247**	11,567

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**2,628**	2,347
Expense related to leases of low-value assets (included in administrative expenses)	**411**	158
Depreciation of right-of-use assets	**8,070**	6,001
Total amount recognised in profit or loss	**11,109**	8,506

(d) The total cash outflow for leases is disclosed in note 26(c) to the financial statements.

15. INVESTMENT IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Share of net assets	24,566	12,072

Notes:

(a) Particulars of the Group's associate, which is indirectly held by the Company, as at 31 December 2023 are as follows:

Company name	Paid-up capital/ registered capital	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Percentage of voting rights held by the Group	Principal activities
CNNC Huazhong New Materials Co., Ltd.* ("CNNC Huazhong") 中核華中新材料有限公司 (Note a)	RMB84,618,000/ RMB100,000,000	PRC/ Mainland China	45%	45%	Manufacture and sale of non-ferrous metal products

* The English name of this company is the direct translation of its Chinese name as no English name has been registered.

(b) During the year ended 31 December 2023, the Group had additional capital contribution of RMB15,300,000 to CNNC Huazhong and the Group's equity interest in it remained to be 45% (2022: 45%).

16. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	337,448	195,973
Work in progress	121,248	147,088
Finished goods	223,316	167,939
	682,012	511,000

Certain of the Group's inventories were goods held for trading as at 31 December 2023 and 2022.

17. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**263,807**	164,895
Less: Impairment	**(2,145)**	(676)
	261,662	164,219
Bills receivable	**136,216**	72,309
	397,878	236,528

Notes:

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

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

	2023 RMB'000	2022 RMB'000
Within 1 month	**281,579**	163,636
1 to 2 months	**63,373**	50,335
2 to 3 months	**46,897**	20,217
Over 3 months	**6,029**	2,340
Total	**397,878**	236,528

17. TRADE AND BILLS RECEIVABLES (Continued)

Notes: (Continued)

(b) In respect of trade receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**676**	992
Impairment/(reversal of impairment) recognised during the year	**1,469**	(316)
At end of year	**2,145**	676

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

At 31 December 2023

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.30%**	**0.30%**	**2.86%**	**2.86%**	**0.81%**
Gross carrying amount (RMB'000)	**147,508**	**63,373**	**49,897**	**6,029**	**263,807**
Expected credit losses (RMB'000)	**442**	**190**	**1,341**	**172**	**2,145**

At 31 December 2022

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

In respect of bills receivables, they are mostly banker's acceptance bills and there was no recent history of default for bills receivable. As at 31 December 2023 and 2022, the loss allowance on these receivables was assessed to be minimal.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
Non-current:			
Deposits	(a)	22,000	22,000
Prepayment for prepaid land leases		–	6,543
Prepayments for acquisition of property, plant and equipment		17,084	60,084
Total		39,084	88,627
Current:			
Prepayments		130,226	116,372
Other tax recoverable		31,898	1,137
Deposits and other receivables	(b)	4,733	4,800
Total		166,857	122,309

Notes:

(a) The Group has paid deposits of RMB11,000,000 (2022: RMB11,000,000) and RMB11,000,000 (2022: RMB11,000,000) for the purchase of two new factories in Guizhou province from two independent third parties. As at 31 December 2023, the construction of certain factory buildings have not yet been completed and the ownership of certain of the associated land to which the factories are adhered have not yet been obtained by the independent third parties. In this regard, the Group is currently leasing from the third parties certain completed factory buildings for the Group's operations. When the constructions of the factories have been completed and the ownership of the land has been obtained by the third parties, the Group will purchase the factories from the third parties at terms stipulated in the agreements separately entered into with the third parties and the aforesaid deposits paid will be applied to offset the then consideration payable.

Since the completion of the purchases of the two new factories from the independent third parties is dependent on, amongst others, (i) the ultimate procurement of ownership of the relevant land by the third parties; and (ii) the finalisation of the construction costs of the factories, which, in the opinion of the directors, remain highly uncertain or cannot be reliably measured as at 31 December 2023. Accordingly, the capital commitments disclosed in note 27 to the financial statements did not include the purchases of these two factories.

(b) The financial assets included in the above balances relate to receivables for which there are no recent history of default and past due amounts. At 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

19. CASH AND BANK BALANCES

At 31 December 2023, the Group's cash and bank balances denominated in RMB amounted to RMB96,767,000 (2022: RMB218,520,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

20. TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
Within 1 month	32,831	75,942
1 to 2 months	12,861	2,509
2 to 3 months	2,313	612
Over 3 months	6,275	7,243
Total	54,280	86,306

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

21. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000
Contract liabilities	(a)	23,617	3,611
Other payables	(b)	33,662	46,365
Accruals		31,712	28,873
Deferred income	(c)	7,960	6,910
Total		96,951	85,759

21. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Short-term advances received from customers			
Sale of non-ferrous metal products	23,617	3,611	2,215

Contract liabilities include short-term advances received to deliver goods. The increase in contract liabilities in 2023 and 2022 was mainly due to the increase in orders from customers for the Group's products close to the end of the year.

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

(c) Deferred income represents government grants received from the PRC local government authorities to support a subsidiary's research and development activities and acquisition of property, plant and equipment. The government grants received for the acquisition of property, plant and equipment are recognised as deferred income, which is amortised over the estimated useful lives of the relevant property, plant and equipment.

22. BANK BORROWINGS

	2023			2022		
	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000
Current						
Bank loans – unsecured	3.4-6.6	2024	264,151	3.4-6.6	2023	300,694
Bank loans – secured	4.6-5.2	2024	94,884	4.6-5.2	2023	14,403
Discounted bills			177,781			–
Total – current			536,816			315,097
Non-current						
Bank loans – secured	4.6-5.2	2025-2028	30,632	4.6-5.2	2024-2028	42,621
Bank loans – unsecured	3.4-6.6	2025-2028	71,230	3.4-6.6	2024-2028	124,824
Total – non-current			101,862			167,445
			638,678			482,542

22. BANK BORROWINGS (Continued)

Notes:

(a) Certain bank loans of the Group as at 31 December 2023 with an aggregate carrying amount of RMB493,078,000 (2022: RMB245,070,000) were guaranteed by the Company and/or certain of its subsidiaries.

(b) Certain of the Group's bank loans with a total carrying amount of RMB139,370,000 (2022: RMB237,472,000) as at 31 December 2023 were secured by the pledge of certain of the Group's leasehold land and property, plant and equipment with net carrying amounts of approximately RMB28,821,000 (2022: RMB20,467,000) and RMB58,629,000 (2022: RMB47,634,000), respectively.

(c) Bank borrowings of RMB638,678,000 (2022: RMB284,988,000) and nil (2022: RMB197,554,000) as at 31 December 2023 are denominated in RMB and US$, respectively.

23. SHARE CAPITAL

	2023 HK$'000	2022 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	10,000	10,000

	2023 Equivalent to		2022 Equivalent to	
	HK$'000	RMB'000	HK$'000	RMB'000
Issued and fully paid:				
360,000,000 ordinary shares of HK$0.01 each	3,600	3,228	3,600	3,228

23. SHARE CAPITAL (Continued)

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

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2022	300,000,000	2,712	128,676	131,388
Issue of new shares (note)	60,000,000	516	199,508	200,024
At 31 December 2022, 1 January 2023 and 31 December 2023	360,000,000	3,228	328,184	331,412

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

24. SHARE-BASED PAYMENT SCHEMES

Share award scheme

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

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

24. SHARE-BASED PAYMENT SCHEMES (Continued)

Share award scheme (Continued)

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

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

During the year, the Trustee purchased 452,000 (2022: 100,000) shares of the Company on the Stock Exchange at a total consideration of HK$1,745,000 (equivalent to RMB1,587,000) (2022: HK$415,000 (equivalent to RMB372,000)) and no Eligible Participant was awarded under the Share Award Scheme. As at 31 December 2023, 552,500 (2022: 100,000) ordinary shares of the Company were held by the Trustee of the Share Award Scheme.

Share option scheme

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

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

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

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

24. SHARE-BASED PAYMENT SCHEMES (Continued)

Share option scheme (Continued)

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

No share option has been granted since the adoption of the Share Option Scheme.

25. RESERVES

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

Capital reserve

The capital reserve of the Group includes (i) capital contribution by the shareholder for a reorganisation completed on 31 August 2017; and (ii) a loss on deemed disposal of partial interest in a subsidiary without loss of control in 2022.

Merger reserve

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

PRC statutory reserve

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

Specific reserve

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

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,889,000 (2022: RMB26,722,000) and RMB3,889,000 (2022: RMB26,722,000), respectively, in respect of lease arrangements for office and plant and machinery.

During the year ended 31 December 2023, the Group had non-cash remeasurements of right-of-use assets and lease liabilities of RMB2,284,000 (2022: RMB2,593,000) and RMB2,284,000 (2022: RMB2,593,000), respectively, arising from a change in the non-cancellable period of a lease.

(b) Changes in liabilities arising from financing activities:

	Bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2022	345,125	29,261
Changes from financing cash flows	137,417	(20,559)
New leases	–	26,722
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(2,593)
Interest expense	–	2,347
Interest paid classified as operating cash flows	–	(2,347)
Exchange realignment	–	69
At 31 December 2022 and 1 January 2023	**482,542**	**32,900**
Changes from financing cash flows	**156,136**	**(21,056)**
New leases	**–**	**3,889**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	**2,284**
Interest expense	**–**	**2,628**
Interest paid classified as operating cash flows	**–**	**(2,628)**
Exchange realignment	**–**	**6**
At 31 December 2023	**638,678**	**18,023**

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

(c) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000
Within operating activities	**2,628**	2,347
Within financing activities	**21,056**	20,559
Total	**24,149**	23,064

27. CAPITAL COMMITMENTS

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

	2023 RMB'000	2022 RMB'000
Plant and equipment	**89,810**	125,081
Capital contributions to an associate	**15,382**	30,682
Total	**105,192**	155,763

28. RELATED PARTY DISCLOSURES

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

	Notes	2023 RMB'000	2022 RMB'000
Lease payments for properties:			
Jiawei Resources Limited	(i)	**378**	362
Mr. Wu Lijue	(ii)	**1,387**	1,083

Notes:

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

As at 31 December 2023, a right-of-use asset of RMB196,000 (2022: RMB552,000) and a lease liability of RMB189,000 (2022: RMB550,000) in respect of the lease were recognised in the consolidated statement of financial position; and during the year, depreciation of the right-of-use asset of RMB361,000 (2022: RMB346,000) and interest expense on the lease liability of RMB12,000 (2022: RMB22,000) were charged to profit or loss.

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

As at 31 December 2023, right-of-use asset of RMB2,593,000 (2022: Nil) and lease liabilities of RMB2,528,000 (2022: Nil) in respect of the leases were recognised in the consolidated statement of financial position. During the year, depreciation of the right-of-use assets of RMB1,296,000 (2022: RMB1,019,000) and interest expense on the lease liabilities of RMB26,000 (2022: RMB25,000) were charged to profit or loss.

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

	2023 RMB'000	2022 RMB'000
Short term employee benefits	**4,974**	4,460
Post-employment benefits	**243**	260
Total compensation paid to key management personnel	**5,217**	4,720

Further details of the directors' emoluments are included in note 10 to the financial statements.

29. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities of the Group as at 31 December 2023 and 2022 are classified as financial assets and financial liabilities at amortised cost, respectively.

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair value	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Bank borrowings	**638,678**	482,542	**589,881**	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 and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

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

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

Fair value hierarchy

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

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
At 31 December 2023				
Bank borrowings	–	589,881	–	589,881

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
At 31 December 2022				
Bank borrowings	–	448,939	–	448,939

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
31 December 2023		
RMB	**100**	**(5,395)**
US$	**100**	**93**
HK$	**100**	**71**
RMB	**(100)**	**5,395**
US$	**(100)**	**(93)**
HK$	**(100)**	**(71)**
31 December 2022		
RMB	100	(665)
US$	100	(1,259)
HK$	100	299
RMB	(100)	665
US$	(100)	1,259
HK$	(100)	(299)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. During the year ended 31 December 2023, approximately 26.2% (2022: 24.3%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale. Such exposures also arise from bank balances and bank loans denominated in currencies other than the units' functional currencies. The Group currently does not have a foreign exchange hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

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

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
31 December 2023		
If RMB weakens against US$	**1**	**208**
If RMB weakens against HK$	**1**	**71**
If RMB strengthens against US$	**(1)**	**(208)**
If RMB strengthens against HK$	**(1)**	**(71)**
31 December 2022		
If RMB weakens against US$	1	(1,187)
If RMB weakens against HK$	1	299
If RMB strengthens against US$	(1)	1,187
If RMB strengthens against HK$	(1)	(299)

Credit risk

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

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

At the end of the reporting period, the Group had certain concentration of credit risk as 69.0% (2022: 61.5%) of the Group' trade receivables were due from the five largest debtors, while 19.4% (2022: 33.7%) of the total trade receivables were due from the largest debtor.

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

At 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	263,807	263,807
Bills receivable					
– Normal**	136,216	–	–	–	136,216
Financial assets included in prepayments, deposits and other receivables					
– Normal**	166,857	–	–	–	166,857
Cash and bank balances					
– Not yet past due	115,547	–	–	–	115,547
	418,620	–	–	263,807	682,427

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

At 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	164,895	164,895
Bills receivable					
– Normal**	72,309	–	–	–	72,309
Financial assets included in prepayments, deposits and other receivables					
– Normal**	4,800	–	–	–	4,800
Cash and bank balances					
– Not yet past due	325,414	–	–	–	325,414
	402,523	–	–	164,895	567,418

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 17 to the consolidated financial statements.

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

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

At 31 December 2023

	On demand and within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	54,280	–	–	54,280
Other payables and accruals	65,374	–	–	65,374
Bank borrowings	536,816	101,862	–	638,678
Lease liabilities	14,624	677	1,560	16,861
	671,094	102,539	1,560	775,193

At 31 December 2022

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The Group has the following borrowings as at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Bank borrowings	636,678	482,542
Lease liabilities	18,023	32,900
	654,701	515,442
Analysed into amount repayable:		
Within one year or on demand	550,592	336,430
In the second year	47,704	91,931
In the third to fifth years, inclusive	55,619	79,900
Over five years	786	7,181
Total	654,701	515,442

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

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

The Group regards its total equity as capital and manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is total bank borrowings excluding proceeds from discounted bills, less cash and bank balances divided by total equity. The gearing ratios as at the end of the reporting period were as follows:

	2023 **RMB'000**	2022 RMB'000
Total bank borrowings excluding proceeds from discounted bills less cash and bank balances	**345,350**	157,128
Total equity	**1,106,180**	1,002,106
Gearing ratio	**31.2%**	15.7%

32. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current year's presentation.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Property plant and equipment	7	10
Investment in a subsidiary	129,157	129,157
Due from a subsidiary	165,867	181,016
Total non-current assets	295,031	310,183
CURRENT ASSETS		
Prepayments	–	6,494
Due from subsidiaries	57,293	–
Cash and bank balance	13,389	25,400
Total current assets	70,682	31,894
CURRENT LIABILITIES		
Trade payables	352	1,125
Other payables and accruals	1,668	1,613
Income tax payable	3,579	–
Total current liabilities	5,599	2,738
NET CURRENT ASSETS	65,083	29,156
TOTAL ASSETS LESS CURRENT LIABILITIES	360,114	339,339
NON-CURRENT LIABILITY		
Due to a subsidiary	19,817	19,817
Net assets	340,297	319,522
EQUITY		
Issued capital	3,228	3,228
Reserves (note)	337,069	316,294
Total equity	340,297	319,522

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

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

	Share Premium RMB'000	Shares held for share award scheme RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	128,676	–	34,347	(1,566)	(51,900)	109,557
Loss for the year	–	–	–	–	(554)	(554)
Exchange differences on translation of the Company's financial statements	–	–	–	8,155	–	8,155
Total comprehensive income/(loss) for the year	–	–	–	8,155	(554)	7,601
Issue of new shares	199,508	–	–	–	–	199,508
Purchase of shares under share award scheme	–	(372)	–	–	–	(372)
At 31 December 2022 and 1 January 2023	**328,184**	**(372)**	**34,347**	**6,589**	**(52,454)**	**316,294**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**19,205**	**19,205**
Exchange differences on translation of the Company's financial statements	**–**	**–**	**–**	**3,157**	**–**	**3,157**
Total comprehensive income for the year	**–**	**–**	**–**	**3,157**	**19,205**	**22,362**
Purchase of shares under share award scheme	**–**	**(1,587)**	**–**	**–**	**–**	**(1,587)**
At 31 December 2023	**328,184**	**(1,959)**	**34,347**	**9,746**	**(33,249)**	**337,069**

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2024.

FINANCIAL SUMMARY

The following table summarises the consolidated results and consolidated assets and liabilities of our Group for the five years ended 31 December:

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONSOLIDATED RESULTS					
Revenue	**1,403,169**	1,019,600	763,725	601,652	600,644
Gross profit	**310,424**	305,900	205,520	172,650	159,004
Profit before tax	**117,706**	124,134	118,550	87,164	83,941
Income tax	**(14,169)**	(16,667)	(16,485)	(16,855)	(14,289)
Profit for the year	**103,537**	107,467	102,065	70,309	69,652
Attributable to:					
Shareholders of the Company	**87,142**	104,734	102,065	70,309	69,652

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**1,928,229**	1,699,082	1,082,375	853,660	527,224
Total liabilities	**(822,049)**	(696,976)	(459,598)	(331,898)	(206,624)
Equity attributable to shareholders of the Company	**1,106,180**	1,002,106	622,777	521,762	320,600