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Application Proof of

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

(Incorporated in the Cayman Islands with limited liability)

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XIMEI RESOURCES HOLDING LIMITED

稀美資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor

信達國際 CINDA INTERNATIONAL

[[REDACTED], [REDACTED] and [REDACTED]]

信達國際 CINDA INTERNATIONAL

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EXPECTED TIMETABLE

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. Since it is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the ***[REDACTED]****.*

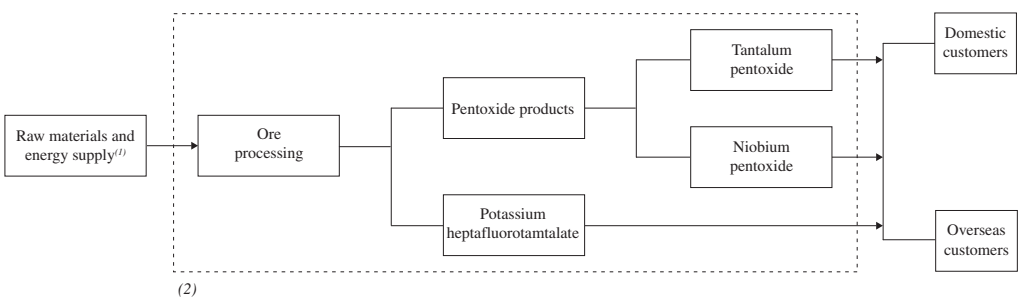
There are risks associated with any investment. Some of the particular risks in investing in the ***[REDACTED]*** *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* ***[REDACTED]****.*

OVERVIEW

We are a producer of tantalum- and niobium-based metallurgical products in China. Tantalum- and niobium-based metallurgical products are essential in the downstream manufacture of many products used in high-tech industries, such as special alloy, chemical, electronic ceramics, aeronautics, aerospace, high-end electronics, defence and hard alloy. Our principal products are tantalum pentoxide and niobium pentoxide. We also produce and sell potassium heptafluorotantalate. We process our products into varying purity levels and specifications in order to meet the requirements for different end products. In addition, we sell processed products such as tantalum bars, tantalum carbide, niobium bars and niobium powder, which are produced by engaging third-party metallurgy companies to process the pentoxide products and potassium heptafluorotantalate we produce, or purchased from third-party metallurgy companies. Moreover, we provide services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate. According to the CIC Report, we were the largest producer of tantalum and niobium hydrometallurgical products in China for FY2016, FY2017 and FY2018 in terms of total annual production volume. Our total production volume of pentoxide products and potassium heptafluorotantalate was approximately 878.9 tonnes, 1,031.0 tonnes and 1,321.0 tonnes for FY2016, FY2017 and FY2018, respectively, accounting for approximately 30.0%, 31.5% and 35.8% of the market share in China for FY2016, FY2017 and FY2018, respectively.

OUR BUSINESS MODEL

The following diagram illustrates our business model regarding the production and sale of pentoxide products and potassium heptafluorotantalate:



Notes:

(1) Includes electricity and water, both of which are procured from Independent Third Parties.

(2) "- - -" denotes our principal business scope.

The following table sets forth the sales volume and average selling price for the years/periods indicated:

	FY2016			FY2017			FY2018			4M2018			4M2019		
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	RMB'000	tonne	RMB'000	RMB'000	tonne	RMB'000	RMB'000	tonne	RMB'000	RMB'000 *(unaudited)*	tonne	RMB'000	RMB'000	tonne	RMB'000
Sale of products:															
Pentoxide products:															
Tantalum pentoxide:															
Industrial grade tantalum pentoxide	*91,415*	*98.4*	*929.4*	*98,573*	*87.0*	*1,132.4*	*116,537*	*81.6*	*1,428.2*	*50,741*	*35.2*	*1,442.1*	*60,343*	*46.5*	*1,298.3*
High-purity tantalum pentoxide	*2,288*	*2.0*	*1,150.4*	*6,876*	*5.6*	*1,224.8*	*10,098*	*6.5*	*1,549.7*	*2,371*	*1.8*	*1,296.0*	*1,375*	*0.9*	*1,551.9*
Niobium pentoxide:															
Industrial grade niobium pentoxide	*63,136*	*442.3*	*142.7*	*102,624*	*572.7*	*179.2*	*168,193*	*751.7*	*223.8*	*42,905*	*188.2*	*228.0*	*62,712*	*294.9*	*212.6*
High-purity niobium pentoxide	*10,559*	*49.6*	*213.0*	*27,374*	*123.7*	*221.2*	*45,987*	*169.1*	*272.0*	*13,938*	*53.2*	*262.1*	*26,558*	*100.0*	*265.6*
Potassium heptafluorotantalate	21,142	43.3	488.3	44,756	62.0	721.9	134,347	159.0	845.2	19,596	23.6	832.0	25,396	35.0	725.6
Processed products:															
Tantalum bars	*6,821*	*4.2*	*1,605.3*	*12,786*	*7.0*	*1,826.6*	*20,392*	*9.2*	*2,216.5*	*2,250*	*1.0*	*2,248.9*	*11,321*	*5.5*	*2,058.4*
Tantalum carbide	*1,360*	*1.0*	*1,360.3*	—	—	—	—	—	—	—	—	—	—	—	—
Niobium bars	*97*	*0.3*	*324.8*	*2*	*0.0*	*367.5*	*4,647*	*11.5*	*404.1*	—	—	—	*5,033*	*12.2*	*412.3*
Niobium powder	*19*	*0.0*	*512.8*	*57*	*0.1*	*535.9*	*17*	*0.0*	*598.3*	*17*	*0.0*	*598.3*	—	—	—
Recycled products[(1)]	2,207	26.7	82.8	—	—	—	3,698	1,330.4	2.8	843	286.8	2.9	5,274	135.0	39.1
Others[(2)]	171	1.7	100.9	—	—	—	182	0.8	219.8	—	—	—	4,425	24.2	182.7
Processing services[(3)]	18,226	251.1	72.6	14,312	134.2	106.6	10,620	93.0	114.3	4,957	33.5	148.1	1,408	10.8	130.2
Total	**217,441**	**920.6**		**307,360**	**992.3**		**514,718**	**2,612.8**		**137,618**	**623.3**		**203,845**	**665.0**	

Notes:

(1) Our recycled products included two types of products that are produced by recycling our waste materials, namely tin hydroxide and potassium fluorosilicate.

(2) For FY2016, we sold cobalt carbonate ($CoCO_3$), which is a type of by-product generated in our production process. For FY2018 and 4M2019, we sold ferro niobium tantalum alloy, which is a kind of impurity included in our raw materials.

(3) We provided processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate products.

Our revenue for FY2016, FY2017, FY2018, 4M2018 and 4M2019 amounted to approximately RMB217.4 million, RMB307.4 million, RMB514.7 million, RMB137.6 million and RMB203.8 million, respectively. The increase in revenue from FY2016 to FY2018 was mainly contributed by the increase in revenue from sale of tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, which was mainly driven by the overall increase in sales volume and average selling price. The increase in revenue from 4M2018 to 4M2019 was mainly contributed by the increase in revenue from sale of tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, which was mainly driven by the overall increase in sales volume, offset by the decrease in average selling price.

For FY2016, FY2017, FY2018, 4M2018 and 4M2019, our total sales volume of pentoxide products and potassium heptafluorotantalate amounted to approximately 635.6 tonnes, 851.0 tonnes, 1,167.9 tonnes, 302.0 tonnes and 477.3 tonnes, respectively. During the same years/periods, our total production volume of pentoxide products and potassium heptafluorotantalate for sale of products amounted to approximately 653.7 tonnes, 904.2 tonnes, 1,221.5 tonnes, 309.6 tonnes and 391.6 tonnes, respectively. From FY2016 to FY2018 and from 4M2018 to 4M2019, the increase in our total sales volume of pentoxide products and potassium heptafluorotantalate was generally in line with the increase in our total production volume of the same for sale of products. In particular, the significant increase in our total sales volume of pentoxide products from approximately 789.0 tonnes for FY2017 to approximately 1,008.9 tonnes for FY2018 was facilitated by the increase in our production capacity due to the expansion of our production facilities. For details, please refer to the paragraph headed "Business — Production facilities" in this document. In addition, our sales volume of potassium heptafluorotantalate increased from approximately 62.0 tonnes for FY2017 to approximately 159.0 tonnes for FY2018, mainly attributable to the increase in sales orders from Customer F and Customer J, being our largest customer and one of our five largest customers for FY2018, respectively.

The average selling price of tantalum pentoxide and niobium pentoxide generally increased throughout the period from FY2016 to FY2018 and decreased for 4M2019. Such trend was generally consistent with overall market trend of average selling price of tantalum pentoxide and niobium pentoxide according to the CIC Report. The average selling price of potassium heptafluorotantalate generally increased throughout the period from FY2016 to FY2018 and decreased for 4M2019. Such trend was generally consistent with overall market trend of average selling price of potassium heptafluorotantalate according to the CIC Report.

The following table sets forth the breakdown of our gross profit and gross profit margin for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 *(unaudited)*	% *(unaudited)*	RMB'000	%
Sale of products	**42,635**	**21.4**	**79,408**	**27.1**	**160,171**	**31.7**	**39,406**	**29.7**	**51,116**	**25.3**
Pentoxide products:	34,706	20.7	57,820	24.6	107,967	31.6	32,633	29.7	37,560	24.9
Tantalum pentoxide:	25,130	26.8	37,617	35.7	36,199	28.6	15,128	28.5	15,322	24.8
Industrial grade tantalum pentoxide	*24,339*	*26.6*	*34,824*	*35.3*	*33,108*	*28.4*	*14,169*	*27.9*	*14,956*	*24.8*
High-purity tantalum pentoxide	*791*	*34.6*	*2,793*	*40.6*	*3,091*	*30.6*	*959*	*40.4*	*366*	*26.6*
Niobium pentoxide:	9,576	13.0	20,203	15.5	71,768	33.5	17,505	30.8	22,238	24.9
Industrial grade niobium pentoxide	*5,542*	*8.8*	*13,383*	*13.0*	*60,020*	*35.7*	*14,240*	*33.2*	*16,720*	*26.7*
High-purity niobium pentoxide	*4,034*	*38.2*	*6,820*	*24.9*	*11,748*	*25.5*	*3,265*	*23.4*	*5,518*	*20.8*
Potassium heptafluorotantalate	4,228	20.0	17,522	39.2	45,668	34.0	6,002	30.6	4,949	19.5
Processed products:	2,524	30.4	4,066	31.7	6,453	25.8	489	21.6	3,387	20.7
Tantalum bars	*1,989*	*29.2*	*4,061*	*31.8*	*5,607*	*27.5*	*486*	*21.6*	*2,447*	*21.6*
Tantalum carbide	*515*	*37.9*	—	—	—	—	—	—	—	—
Niobium bars	*20*	*21.2*	*0*	*14.0*	*843*	*18.1*	—	—	*940*	*18.7*
Niobium powder	*0*	*2.4*	*5*	*9.2*	*3*	*17.5*	*3*	*17.3*	—	—
Recycled products[1]	1,176	53.3	—	—	17	0.5	282	33.4	4,117	78.1
Others[2]	1	0.3	—	—	66	36.2	—	—	1,103	24.9
Processing services[3]	**9,122**	**50.1**	**7,936**	**55.5**	**5,062**	**47.7**	**2,650**	**53.5**	**442**	**31.4**
Total gross profit/overall gross profit	**51,757**	**23.8**	**87,344**	**28.4**	**165,233**	**32.1**	**42,056**	**30.6**	**51,558**	**25.3**

Notes:

(1) Our recycled products included two types of products produced by recycling our waste materials, namely tin hydroxide and potassium fluorosilicate.

(2) For FY2016, we sold cobalt carbonate ($CoCO_3$), which is a type of by-product generated in our production process. For FY2018 and 4M2019, we sold ferro niobium tantalum alloy, which is a kind of impurity included in our raw materials.

(3) We provided processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate products.

Our gross profit increased from approximately RMB51.8 million for FY2016 to approximately RMB87.3 million for FY2017, and further to approximately RMB165.2 million for FY2018. For 4M2019, our gross profit amounted to approximately RMB51.6 million, representing an increase of approximately RMB9.5 million from 4M2018. Our gross profit margin increased from approximately 23.8% for FY2016 to approximately 28.4% for FY2017, and further increased to approximately 32.1% for FY2018. Our gross profit margin decreased from approximately 30.6% for 4M2018 to approximately 25.3% for 4M2019.

Our gross profit was mainly contributed by gross profit from sale of products. Our gross profit margin for sale of products increased from approximately 21.4% for FY2016 to approximately 27.1% for FY2017, and further increased to approximately 31.7% for FY2018, and decreased to approximately 25.3% for 4M2019. According to the CIC Report, (i) the price of pentoxide products and potassium heptafluorotantalate both increased throughout the period from FY2016 to FY2018 and decreased for 4M2019 and (ii) the price of tantalum ores and niobium ores followed the same pattern as the demand for tantalum-based products increased throughout the period from FY2016 to FY2018 and then stabilised for 4M2019. The decrease in gross profit margin for 4M2019 was mainly due to (i) decrease in our average selling price for 4M2019; and (ii) the utilisation during 4M2019 of our inventory as at 31 December 2018 which was purchased when the market price of raw material was higher.

PRODUCTION FACILITIES

As at the Latest Practicable Date, we operated one production plant with a total site area of approximately 113,306 sq.m., which is located in Yingde, Guangdong Province. As at the Latest Practicable Date, our plant had nine production lines for pentoxide products and potassium heptafluorotantalate. The following tables set forth the utilisation rates of our production lines by product type during the Track Record Period:

	As at/For the year ended 31 December			As at/For the period ended
Pentoxide products	**2016**	**2017**	**2018**	**30 April 2019**
Estimated production capacity[(1)] *(tonnes)*	804	804	1,282.5	N/A
Actual production volume (*tonnes*)	771.6	922.5	1,121.5	352.7
Production volume for sale of products[(2)] (*tonnes*)	608.1	820.2	1,040.0	345.3
Production volume for provision of processing services (*tonnes*)	163.5	102.3	81.5	7.4
Utilisation rate[(3)] *(%)*	96.0	114.7[(4)]	87.4	N/A

	As at/For the year ended 31 December			As at/For the period ended
Potassium heptafluorotantalate	**2016**	**2017**	**2018**	**30 April 2019**
Estimated production capacity[(1)] *(tonnes)*	207	207	207	N/A
Actual production volume (*tonnes*)	107.3	108.5	199.5	58.1
Production volume for sale of products[(5)] *(tonnes)*	45.6	84.0	181.5	46.3
Production volume for provision of processing services (*tonnes*)	61.7	24.5	18.0	11.8
Utilisation rate[(3)] *(%)*	51.8	52.4	96.4	N/A

Notes:

(1) The estimated production capacity for each product was calculated based on 300 working days per year with 24 working hours per day.
(2) The production volume of pentoxide products includes the pentoxide products we engaged third-party metallurgy companies to process into processed products such as niobium powder, niobium bars and tantalum carbide, which in aggregate amounted to approximately 1.6 tonnes, nil, 10.1 tonnes and 15.0 tonnes, respectively, for FY2016, FY2017, FY2018 and 4M2019.
(3) Utilisation rate is derived by dividing the actual production volume for the relevant year by the estimated production capacity for the relevant year.
(4) The utilisation rate of our production line for pentoxide products exceeded 100.0% for FY2017 primarily because we reduced the frequency of equipment maintenance and increased the number of production days to fulfil our orders during the year.
(5) The production volume of potassium heptafluorotantalate includes the potassium heptafluorotantalate we engaged third-party metallurgy companies to process into processed products, namely tantalum bars, which amounted to approximately 12.1 tonnes, 14.5 tonnes, 33.8 tonnes and 1.2 tonnes, respectively, for FY2016, FY2017, FY2018 and 4M2019.

For details, please refer to the paragraph headed "Business — Production facilities" in this document.

RESEARCH AND DEVELOPMENT

We place significant emphasis on research and development. To advance our research and development capabilities, we have established a research and development department, which, as at 30 April 2019, comprised ten employees. Our research and development department is led by our executive Director and chief executive officer, Mr. Wu, and our vice president, Mr. Zhong Yuelian, who have over 30 and 25 years of experience in the tantalum and niobium metallurgy industry, respectively. In addition, two of our senior engineers and an industrial analysis engineer also participate in our research and development projects.

Through our research and development efforts, we have been able to continuously improve the purity level of tantalum pentoxide and niobium pentoxide, develop niobium pentoxide with different physical properties to be applied in different industries, and enhance our capabilities in recycling waste materials for environmental protection. As a result of such efforts, we owned 24 patents in China relating to production equipment and process as at the Latest Practicable Date. In addition to our in-house research and development capabilities, we also established collaborative relationships with research and academic institute and company to develop innovative metallurgical technologies.

For details, please refer to the paragraph headed "Business — Research and development" in this document.

CUSTOMERS, SALES AND MARKETING

Our customers are primarily: (i) metallurgy companies which utilise our products for further production and/or engage us in providing processing services; and (ii) trading companies which resell our products and/or engage us in providing processing services. The following table sets forth the breakdown of our total revenue by customer type for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Metallurgy companies	139,487	64.1	194,274	63.2	381,206	74.1	111,073	80.7	154,381	75.7
Trading companies	77,954	35.9	113,086	36.8	133,512	25.9	26,545	19.3	49,464	24.3
Total revenue	**217,441**	**100.0**	**307,360**	**100.0**	**514,718**	**100.0**	**137,618**	**100.0**	**203,845**	**100.0**

During the Track Record Period, we mainly sold our products to customers in China, as well as customers in the United States, Japan, South Korea and EU countries. The following table sets forth the breakdown of our revenue by geographic location of our customers for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
PRC	173,898	80.0	260,503	84.8	462,827	89.9	127,643	92.8	185,470	91.0
The United States	19,990	9.2	21,875	7.1	19,995	3.9	2,275	1.6	10,355	5.1
EU countries[(1)]	18,279	8.4	13,796	4.5	19,365	3.8	6,718	4.9	2,051	1.0
Others[(2)]	5,274	2.4	11,186	3.6	12,531	2.4	982	0.7	5,969	2.9
Total revenue	**217,441**	**100.0**	**307,360**	**100.0**	**514,718**	**100.0**	**137,618**	**100.0**	**203,845**	**100.0**

Notes:

(1) During the Track Record Period, we sold our products to different EU countries, including Austria, France and Luxembourg.

(2) Others included Hong Kong, Japan, South Korea and Taiwan.

For FY2016, FY2017, FY2018 and 4M2019, revenue generated from our five largest customers accounted for approximately 44.9%, 52.6%, 62.4% and 55.5% of our total revenue for the same years/period, respectively. For FY2016, FY2017, FY2018 and 4M2019, revenue generated from our largest customer accounted for approximately 14.5%, 21.5%, 27.0% and 14.1% of our total revenue for the same years/period, respectively. During the Track Record Period, some of our major customers were also our suppliers. For details, please refer to the paragraph headed "Business — Customers, sales and marketing" and "Business — Raw materials, utilities and suppliers — Entities that were both customers and suppliers" in this document.

RAW MATERIALS, UTILITIES AND SUPPLIERS

Tantalum ores and niobium ores are the principal raw materials that we use to produce our products. During the Track Record Period, we purchased tantalum ores and niobium ores mainly from suppliers, mainly located in the PRC, Hong Kong, Luxembourg, Sierra Leone and Brazil, which were either mining companies or trading companies and the ores supplied are mainly from mines in the PRC, Brazil, Nigeria and Sierra Leone. Other raw materials we use in our production process include a variety of chemicals, such as sulphuric acid, hydrofluoric acid and liquid ammonia. We also procure packaging materials to pack our products, and obtain electricity and water supplier to support our production activities.

For FY2016, FY2017, FY2018 and 4M2019, purchases from our five largest suppliers accounted for approximately 72.1%, 52.9%, 53.7% and 73.8% of our total purchases for the same years/period, respectively. For FY2016, FY2017, FY2018 and 4M2019, purchases from our largest supplier accounted for approximately 23.1%, 22.4%, 25.8% and 32.8% of our total purchases for the same years/period, respectively. During the Track Record Period, some of our major suppliers were also our customers. For details, please refer to the paragraph headed "Business — Raw materials, utilities and suppliers" in this document.

COMPETITIVE STRENGTHS

Our Directors believe that our Group has the following competitive strengths that have driven growth in our business and financial performance: (i) we are the largest producer of tantalum and niobium hydrometallurgical products in China; (ii) we were an early entrant in a fast-growing market with high entry barriers; (iii) we have a dedicated and experienced research and development team and benefit from the results of our research and development efforts; and (iv) we are led by an experienced and dedicated management team. For details, please refer to the paragraph headed "Business — Our competitive strengths" in this document.

BUSINESS STRATEGIES

Our business objectives are to achieve sustainable growth and strengthen our market position in the tantalum and niobium metallurgical industry in the PRC. In furtherance of this goal, we plan to adopt the following strategies: (i) extend our production and sales to downstream products; (ii) continue to devote resources on research and development projects on new products and innovative production methods; (iii) strengthening our sales network in overseas markets; and (iv) further secure sources of our principal raw materials. For details, please refer to the paragraph headed "Business — Our business strategies" in this document.

SUMMARY KEY FINANCIAL INFORMATION

Summary of the consolidated statements of profit or loss

	FY2016	FY2017	FY2018	4M2018	4M2019
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
CONTINUING OPERATIONS					
Revenue	217,441	307,360	514,718	137,618	203,845
Gross profit	51,757	87,344	165,233	42,056	51,558
Profit before tax from continuing operations	28,920	46,634	90,094	27,904	31,300
Income tax expense	(4,256)	(8,050)	(13,023)	(4,301)	(5,590)
Profit for the year/period from continuing operations	24,664	38,584	77,071	23,603	25,710
DISCONTINUED OPERATION					
Loss for the year/period from a discontinued operation	(787)	—	—	—	—
Profit for the year/period	23,877	38,584	77,071	23,603	25,710

The increase in our net profits from continuing operations during the Track Record Period was mainly driven by the increase in our revenue. For detailed analysis of our results of operations, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss" in this document.

Summary of consolidated statements of financial position

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	55,809	79,787	107,819	111,528
Current assets	176,508	249,880	365,263	356,177
Current liabilities	95,005	98,465	169,341	138,076
Net current assets	81,503	151,415	195,922	218,101
Non-current liabilities	1,286	56,238	52,219	52,069
Net assets	**136,026**	**174,964**	**251,522**	**277,560**

The increase in our net current assets from as at 31 December 2016 to as at 31 December 2018 was mainly due to the increase in our inventory and cash and cash equivalents, offset by the increase in bank borrowings. The increase in our net current assets from as at 31 December 2018 to as at 30 April 2019 was mainly due to the increase in our trade and bills receivables and the decrease in our bank borrowings. For details, please refer to the paragraph headed "Financial Information — Liquidity and capital resources — Net current assets" in this document.

Summary of the consolidated statements of cash flows

	FY2016	FY2017	FY2018	4M2018	4M2019
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Net cash flows generated from/(used in) operating activities	15	(19,580)	50,001	(97,568)	(7,167)
Net cash flows used in investing activities	(5,313)	(28,342)	(32,916)	(3,390)	(9,045)
Net cash flows from/(used in) financing activities	9,849	68,959	42,508	82,430	(26,295)
Net increase/(decrease) in cash and cash equivalents	4,551	21,037	59,593	(18,528)	(42,507)
Effect of foreign exchange rate changes, net	—	(163)	2,061	(506)	(949)
Cash and cash equivalents at beginning of year/period	12,145	16,696	37,570	37,570	99,224
Cash and cash equivalents at end of year/period	16,696	37,570	99,224	18,536	55,768

For FY2017, 4M2018 and 4M2019, we recorded net cash used in operating activities, which was mainly attributable to the increase in our inventory, trade and bills receivables and prepayments, deposits and other receivables. For the associated risks, please refer to the paragraph headed "Risk Factors — We had net cash used in operating activities for FY2017 and 4M2019, and we may have difficulty meeting our payment obligations if we continue to record net cash used in operating activities in the future." in this document. On the other hand, we recorded net cash used in investing activities for all years/periods presented, mainly due to purchases of property, plant and equipment. In addition, we recorded net cash generated from financing activities for FY2016, FY2017, FY2018 and 4M2018, mainly due to our new bank borrowings. For detailed analysis of our cash flows, please refer to the paragraph headed "Financial Information — Liquidity and capital resources — Cash flows" in this document.

Key Financial Ratios

	As at/For the year ended 31 December			As at/for the four months ended 30
	2016	2017	2018	April 2019
Gross profit margin	23.8%	28.4%	32.1%	25.3%
Net profit margin for continuing operations	11.3%	12.6%	15.0%	12.6%
Return on equity	18.1%	22.1%	30.6%	27.8%
Return on assets	10.6%	11.7%	16.3%	16.5%
Current ratio	1.9	2.5	2.2	2.6
Quick ratio	1.6	1.8	1.2	1.8
Gearing ratio	9.8%	36.8%	19.4%	24.3%
Debt to equity ratio	22.1%	58.3%	58.9%	44.4%
Interest coverage ratio	11.6	13.9	15.0	15.8

Our gearing ratio increased from approximately 9.8% as at 31 December 2016 to approximately 36.8% as at 31 December 2017, mainly due to the increase in our bank borrowings of approximately RMB71.9 million to finance the expansion of our production facilities. For details, please refer to the paragraph headed "Financial Information — Selected financial ratios" in this document.

CONTROLLING SHAREHOLDERS

Immediately following completion of the **[REDACTED]** and Capitalisation Issue, and without taking into account any Share which may be allotted and issued pursuant to the **[REDACTED]** or the exercise of any options which may be granted under the Share Option Scheme, Jiawei Resources Seychelles will hold approximately **[REDACTED]** of the issued share capital of our Company, where Jiawei Resources Seychelles is wholly owned by Mr. Wu. As Jiawei Resources Seychelles and Mr. Wu directly or indirectly are entitled to exercise or control the exercise of **[REDACTED]** or more of the voting power at our Company's general meeting, each of Jiawei Resources Seychelles and Mr. Wu is regarded as our Controlling Shareholder under the Listing Rules.

Each of our Controlling Shareholders, Directors and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

For details, please refer to the section headed "Relationship with Controlling Shareholders" in this document.

NON-COMPLIANCE MATTERS

During the Track Record Period, we (i) did not obtain the relevant land use right certificates for part of our self-used land; (ii) did not obtain the building ownership certificates for 13 buildings; and (iii) failed to re-submit the environmental impact assessment for approval before expanding our annual processing capacity of tantalum ores and niobium ores. For details, please refer to the paragraph headed "Business — Compliance and legal proceedings — Non-compliance" in this document.

[REDACTED] EXPENSES

The total amount of **[REDACTED]** expenses in connection with the **[REDACTED]**, including **[REDACTED]** commissions, is estimated to be approximately **[REDACTED]** (based on the mid-point of the indicative **[REDACTED]** range). The **[REDACTED]** expenses of: (i) approximately **[REDACTED]** is directly attributable to the issue of the **[REDACTED]** and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard; and (ii) approximately **[REDACTED]** has been or is to be charged to the consolidate statements of profit or loss, of which (a) approximately **[REDACTED]**, **[REDACTED]**, **[REDACTED]** and **[REDACTED]** have been charged for FY2016, FY2017, FY2018 and 4M2019, respectively; and (b) approximately **[REDACTED]** is expected to be charged prior to or upon **[REDACTED]**.

[REDACTED]

Assuming the **[REDACTED]** is not exercised, we estimate that we will receive **[REDACTED]** of approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**) from the **[REDACTED]**, after deducting the **[REDACTED]** commissions and other estimated expenses payable by us in connection with the **[REDACTED]**, assuming an **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of the **[REDACTED]** range stated in this document. We intend to use such **[REDACTED]** from the **[REDACTED]** for the following purposes: (i) approximately **[REDACTED]** (approximately **[REDACTED]** million or equivalent to **[REDACTED]**), to be used to extend our production to downstream products, such as tantalum powder and tantalum bars; (ii) approximately **[REDACTED]** (approximately **[REDACTED]** or equivalent to **[REDACTED]**) will be used to finance part of the expected cost of five of our upcoming research and development projects commencing in 2020, with a term of one to two years; (iii) approximately **[REDACTED]** (approximately **[REDACTED]** or equivalent to **[REDACTED]**) will be used for strengthening our sales network in Europe and our sourcing channels in Brazil; and (iv) approximately **[REDACTED]** (approximately **[REDACTED]** or equivalent to **[REDACTED]**) will be used as our working capital and for general corporate purposes. For details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

STATISTICS OF THE [REDACTED]

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]**
Market capitalisation of our Shares*(Note 1)*	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited pro forma adjusted net tangible asset value per Share*(Note 2)*	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

1. The calculation of **[REDACTED]** is based on **[REDACTED]** expected to be in issue immediately following the completion of the Capitalisation Issue and the **[REDACTED]** without taking into account Shares to be issued pursuant to the exercise of the **[REDACTED]** and any options to be granted under the Share Option Scheme.

2. Please refer to Appendix II to this document for the bases and assumptions in calculating these figures.

DIVIDENDS

No dividend had been declared or distributed by our Company since its incorporation up to and including the Latest Practicable Date. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after **[REDACTED]**, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Our Company currently does not have any predetermined dividend payout ratio. For details, please refer to the paragraph headed "Financial Information — Dividends" in this document.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. Some of the risks generally associated with our business and industry include the following: (i) our sales are dependent, among other things, on the conditions of the global and PRC economy; (ii) we sold a substantial volume of our products to a limited number of customers; (iii) we may experience fluctuation or changes in price, availability and quality of raw materials; (iv) our production capacity may not be fully utilised due to insufficient or unstable demand and might not achieve the intended economic results or commercial viability; and (v) our future capital expenditure may lead to increase in depreciation expenses.

You should carefully consider all of the information set forth in this document and, in particular, should evaluate the specific risks set forth in the section headed "Risk Factors" in this document in deciding whether to **[REDACTED]** our Shares.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our business remained stable after the Track Record Period. Our total sales volume for sale of products for the three months ended 31 July 2019 amounted to approximately 744.3 tonnes as compared to approximately 665.0 tonnes for 4M2019. Our sales volume of tantalum pentoxide was approximately 51.3 tonnes for the three months ended 31 July 2019, as compared to approximately 47.4 tonnes for 4M2019. Our sales volume of niobium pentoxide was approximately 301.6 tonnes for the three months ended 31 July 2019, as compared to approximately 394.9 tonnes for 4M2019. Our sales volume of potassium heptafluorotantalate was approximately 9.2 tonnes for the three months ended 31 July 2019, as compared to approximately 35.0 tonnes for 4M2019. The decrease was mainly because Customer F, being the major contributor to our sales volume of potassium heptafluorotantalate for 4M2019, did not place sales orders for potassium heptafluorotantalate with us for the three months ended 31 July 2019.

Our Group has been actively looking for land suitable for setting up our production facilities to extend our production to downstream products. In May 2019, we entered into an agreement with Qingyuan Overseas Chinese Industrial Park Administration Committee* (清遠華僑工業園管理委員會) for setting up our production facilities for downstream products in the Qingyuan Overseas Chinese Industrial Park* (清遠華僑工業園), and such land acquisition is still subject to bidding, auction or listing procedures.

Our Directors confirmed that, up to the date of this document, other than the estimated **[REDACTED]** expenses of approximately **[REDACTED]**, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since 30 April 2019.

DEFINITIONS

In this document, unless the context otherwise requires, the following words and expressions have the following meanings.

"Accountants' Report"	the accountants' report set out in Appendix I to this document
"affiliate(s)"	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person(s)
"AIC" or "SAIC"	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局), now integrated into the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), or its delegated authority at the provincial, municipal or other local level
"**[REDACTED]**"	**[REDACTED]**, **[REDACTED]** and **[REDACTED]**, or where the context so requires, any of them
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company, conditionally adopted on [*date*] and effective upon **[REDACTED]**, a summary of which is set out in the paragraph headed "2. Articles of Association" in Appendix IV to this document
"Board" or "Board of Directors"	our board of Directors
"Business Day(s)"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of **[REDACTED]** to be made upon capitalisation of certain amount standing to the credit of the share premium account of our Company as referred to in the paragraph headed "Further information about our Group — 3. Resolutions of our Shareholders" in Appendix V to this document

[REDACTED]

[REDACTED]

"China" or "PRC"	the People's Republic of China, which for the purpose of this document only excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CIC" or "Industry Consultant"	China Insights Consultancy Limited* (灼識企業管理諮詢(上海)有限公司), the independent industry consultant commissioned by us to conduct research on the industry in which we operate
"CIC Report"	a report prepared by CIC, an extract of which is set out in the section headed "Industry Overview" in this document
"Circular 13"	the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) issued by SAFE on 13 February 2015 and effective from 1 June 2015
"Circular 37"	the Circular of the State Administration of Foreign Exchange on Issues Concerning Foreign Exchange Administration Over the Overseas Investment and Financing and Round-Trip Investment by Domestic Residents via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) issued by SAFE on 4 July 2014 and effective from the same date
"Companies Law"	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "us" or "we"	Ximei Resources Holding Limited (稀美資源控股有限公司), incorporated in the Cayman Islands as an exempted company with limited liability on 26 May 2017

"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Mr. Wu and Jiawei Resources Seychelles
"Countries subject to International Sanctions"	countries regarding which governments such as the United States or Australia, or governmental organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated [●] entered into by our Controlling Shareholders with and in favour of our Company (for our Company and as trustee for each of our subsidiaries) with particulars set out in the paragraph headed "Other Information — 13. Estate duty, tax and other indemnities" in Appendix V to this document
"Director(s)"	director(s) of our Company
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法), issued on 16 March 2007 and effective from 1 January 2008, as amended, supplemented or otherwise modified from time to time
"EIT Regulation"	the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例) issued by the State Council on 6 December 2007 and effective from 1 January 2008, as amended, supplemented or otherwise modified from time to time
"EU" or "European Union"	the European Union, a politico-economic union of 28 member states that are located primarily in Europe, including Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom

"Fogang Jiata"	Fogang Jiata Metal Co., Ltd.* (佛岡佳特金屬有限公司), a limited liability company established in the PRC on 24 January 2000, which was beneficially wholly owned by Mr. Wu from 24 January 2000 to 20 March 2008, and was wholly owned by Seraphim BVI since 21 March 2008 until Seraphim BVI disposed of its entire interest in the company on 16 January 2019
"FY2016"	the year ended 31 December 2016
"FY2017"	the year ended 31 December 2017
"FY2018"	the year ended 31 December 2018
"GDP"	gross domestic product
"**[REDACTED]**"	the **[REDACTED]** and the **[REDACTED]**
"Goldwei BVI"	Goldwei Group Limited, a limited liability company incorporated in the BVI on 7 December 2007, which has been beneficially wholly owned by Mr. Wu since its incorporation
"**[REDACTED]**"	the **[REDACTED]** to be completed by the **[REDACTED]**, **[REDACTED]**
"Group", "our Group", "we", "our" or "us"	our Company, its subsidiaries or any of them at the relevant time or, where the context so requires, in respect of the period before our Company becoming the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guangdong Dows"	Guangdong Dowstone Technology Co., Ltd.* (廣東道氏技術股份有限公司), a limited liability company established in the PRC on 21 September 2007 and the shares of which were listed on the Shenzhen Stock Exchange (stock code: 300409) since 3 December 2014. As at the Latest Practicable Date, Mr. Wu indirectly held approximately 8.34% in the issued share capital of Guangdong Dows via Guangdong Yuanwei

"Guangdong Jiana"	Guangdong Jiana Energy Technology Co., Ltd.* (廣東佳納能源科技有限公司), previously known as Yingde Jiana Metal Technology Co., Ltd.* (英德佳納金屬科技有限公司), a limited liability company established in the PRC on 24 October 2003 and principally engaged in the production and trading of various metallurgical products other than tantalum- and niobium-based metallurgical products, which had been wholly owned by Seraphim BVI from 7 May 2008 to 11 October 2016, had been owned as to 70% and 30% by Guangdong Yuanwei and MACRO-LINK Holding, respectively, from 12 October 2016 to 18 May 2017, had been owned as to 53.9%, 23.1% and 23.0% by Guangdong Yuanwei, MACRO-LINK Holding and by Guangdong Dows, respectively, from 19 May 2017 to 22 June 2017, had been owned as to 51%, 34.3% and 14.7% by Guangdong Dows, Guangdong Yuanwei and MACRO-LINK Holding, respectively, from 23 June 2017 to 15 November 2018, and has been wholly owned by Guangdong Dows since 16 November 2018
"Guangdong Yuanwei"	Guangdong Yuanwei Investment Co., Ltd.* (廣東遠為投資有限公司), a company established in the PRC on 22 August 2016 with limited liability, which is wholly owned by Mr. Wu
"High-tech Enterprise"	a high and new technology enterprise (高新技術企業) that meets the criteria set forth in the Administrative Measures for Certification of High and New Technology Enterprises (高新技術企業認定管理辦法) and the Catalogue of High and New Technology Areas Specifically Supported by the State (國家重點支援的高新技術領域), issued on 14 April 2008 as a joint circular and amended on 29 January 2016 with effect from 1 January 2016
"HKFRSs"	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by Hong Kong Institute of Certified Public Accountants

[REDACTED]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

"Independent Third Party(ies)"	individual(s) or company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of our Company

[REDACTED]

"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, the United Nations or the Government of Australia

[REDACTED]

[REDACTED]

"Jiata International"	Jiata International Limited (賽特國際有限公司), a private company limited by shares incorporated in Hong Kong on 6 August 2001, which had been beneficially owned by Mr. Wu from the date of its incorporation to the date of its dissolution on 26 February 2016
"Jiawei Resources Seychelles"	Jiawei Resources Holding Limited, a limited liability company incorporated in Seychelles on 24 April 2017 and has been wholly owned by Mr. Wu since its incorporation
"Jiaya Group"	JIAYA GROUP LTD., a limited liability company incorporated in the BVI on 14 May 2003 and principally engaged in the trading of copper- and cobalt-based metallurgical products, which had been beneficially owned by Mr. Wu from its incorporation to 13 March 2008, and has been a wholly-owned subsidiary of Seraphim BVI from 14 March 2008 to the date of its dissolution on 31 May 2019
"Jiayuan Metal"	Guangdong Jiayuan Metal Co., Ltd.* (廣東佳遠金屬有限公司), a limited liability company established in the PRC on 21 August 2009 and principally engaged in the trading of metallurgical products other than tantalum- and niobium-based metallurgical products and metal ores, which had been wholly owned by Guangdong Jiana from 21 August 2009 to 23 August 2015, had been owned by Zhiyuan New Material from 24 August 2015 to 4 July 2016, and was wholly owned by Fogang Jiata from 5 July 2016 to the date of dissolution on 18 June 2019 (Jiayuan Metal was disposed of by Seraphim BVI through its disposal of Fogang Jiata on 16 January 2019)
"Jiayuan Metal Disposal Agreement"	the equity transfer agreement dated 30 June 2016 and entered into between Zhiyuan New Material and Fogang Jiata in relation to the disposal of Jiayuan Metal by Zhiyuan New Material to Fogang Jiata. For details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Acquisition and disposal of Jiayuan Metal" in this document
"Latest Practicable Date"	18 August 2019, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information in this document

[REDACTED]

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"M&A Provisions"	the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly issued by the State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會), MOFCOM, SAT, SAIC, CSRC and SAFE on 8 August 2006 and amended by MOFCOM on 22 June 2009
"MACRO-LINK Cayman"	MACRO-LINK International Mining Limited, a limited liability company incorporated in the Cayman Islands on 12 September 2007 and owned as to 96.33% by MACRO-LINK International, 1.67% by Mr. Chung Shan Kwang and 2% by Ms. To Shong as at the Latest Practicable Date
"MACRO-LINK Group"	the group of companies including MACRO-LINK International, MACRO-LINK Industrial and MACRO-LINK Holding and several companies principally engaged in the mining industry and is controlled by Mr. Fu Kwan and Ms. Xiao Wenhui via XiZang ChangShi
"MACRO-LINK Holding"	MACRO-LINK Holding Co., Ltd.* (新華聯控股有限公司), a limited liability company established in the PRC on 15 June 2001, which indirectly held the majority equity interest in various companies principally engaged in industries including real estate, finance, mining, petroleum and chemical engineering, among others, and was owned as to 93.40% by XiZang ChangShi, 2.83% by Mr. Fu Kwan and 3.77% by other individual shareholders, each of which held less than 10% equity interest as at the Latest Practicable Date
"MACRO-LINK Industrial"	MACRO-LINK Industrial Investment Limited* (新華聯實業投資有限公司), a limited liability company incorporated in Hong Kong on 16 May 2013 and owned as to 100% by MACRO-LINK Holding as at the Latest Practicable Date

"MACRO-LINK International"	MACRO-LINK International Investment Co., Ltd., a limited liability company incorporated in the BVI on 21 October 2003 and owned as to 100% by MACRO-LINK Industrial as at the Latest Practicable Date
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company, conditionally adopted on [*date*] and coming into effect upon **[REDACTED]**, a summary of which is set out in the paragraph headed "1. Memorandum of Association" in Appendix IV to this document
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MJM"	MACROLINK JIAYUAN MINING Sarl, a limited liability company incorporated in the Democratic Republic of the Congo on 4 March 2008 and principally engaged in the trading of metallurgical products other than tantalum- and niobium-based metallurgical products, which had been owned as to 99% and 1% by Seraphim BVI and an Independent Third Party, respectively, from its incorporation to May 2017, had been a wholly-owned subsidiary of Seraphim BVI since May 2017 until Seraphim BVI disposed of its entire interest in the company in November 2017
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Wu"	Mr. Wu Lijue (吳理覺), the founder of our Group, the chairman of our Board, an executive Director, our chief executive officer and one of our Controlling Shareholders
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Non-competition Undertaking"	the non-competition undertaking dated **[REDACTED]** given by our Controlling Shareholders in favour of our Company (for our Company and as trustee for each of our subsidiaries) with particulars set out in the section headed "Relationship with Controlling Shareholders" in this document
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"OFAC"	the United States Department of Treasury's Office of Foreign Assets Control

[REDACTED]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organisations of such government or, as the context requires, any of them
"PRC Legal Advisers"	King & Wood Mallesons, legal advisers to our Company as to PRC laws in connection with the **[REDACTED]**

[REDACTED]

"Property Valuation Report"	the text of a letter, the summary of values and valuation certificates from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, as set out in the paragraph headed "Property Valuation Report" in Appendix III to this document

[REDACTED]

"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganisation"	the reorganisation of our Group as described in the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in this document
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Sanctioned Person(s)"	certain person(s) and identity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the United States, European Union, United Nations or Australia
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SCNPC"	the Standing Committee of the NPC (中華人民共和國全國人民代表大會常務委員會)
"SDN List"	the list of specially designated nationals and blocked persons published and maintained by OFAC
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"Seraphim BVI"	Seraphim Group Limited (佳遠鈷業控股有限公司), previously known as Jiayuan Cobalt Holdings Limited, a limited liability company incorporated in the BVI on 26 October 2007, which had been owned as to 40% and 60% by Mr. Wu (via two BVI investment holding companies beneficially wholly owned by him) and MACRO-LINK Cayman, respectively, from 26 October 2007 to 9 August 2015, and has been owned as to 70% and 30% by Mr. Wu (via Goldwei BVI) and MACRO-LINK Cayman, respectively, from 10 August 2015 to 5 July 2018 and wholly owned by Mr. Wu (via Goldwei BVI) since 6 July 2018
"Seychelles"	the Republic of Seychelles
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company

[REDACTED]

"Shareholder(s)"	holder(s) of the Share(s)

[REDACTED]

"Sole Sponsor" or "Cinda International"	Cinda International Capital Limited, a licenced corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities for the purpose of the SFO, being the sole sponsor to our Company in respect of the **[REDACTED]**
"State Council"	the State Council of the PRC (中華人民共和國國務院)

[REDACTED]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the financial periods comprising FY2016, FY2017, FY2018 and 4M2019

[REDACTED]

"United States," "USA" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$," "USD" or "$"	U.S. dollars, the lawful currency of the United States

[REDACTED]

"Xinjia Seychelles"	Xinjia Group Limited (新佳集團有限公司), a limited liability company incorporated in Seychelles on 21 June 2017 and a wholly-owned subsidiary of our Company as at the Latest Practicable Date
"Xite Hong Kong"	Xite Group Limited (稀特集團有限公司), a limited liability company incorporated in Hong Kong on 29 June 2017 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
"XiZang ChangShi"	ChangShi Investments Limited* (長石投資有限公司), a limited liability company established in the PRC on 5 June 2006 and owned as to 59.76% by Mr. Fu Kwan, 33.46% by Ms. Xiao Wenhui and 6.78% by other individual shareholders, each of which held less than 10% equity interest as at the Latest Practicable Date

[REDACTED]

"Zhiyuan New Material"	Guangdong Zhiyuan New Material Co., Ltd.* (廣東致遠新材料有限公司), previously known as Yingde Jiata New Material Co., Ltd.* (英德佳特新材料有限公司), a limited liability company established in the PRC on 9 May 2006 and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
"Zhiyuan New Material Guangzhou Branch"	Guangdong Zhiyuan New Material (Guangzhou) Co., Ltd.* (廣東致遠新材料有限公司廣州分公司), a branch of Zhiyuan New Material established on 15 September 2017 in Guangzhou which had not commenced any business as at the Latest Practicable Date
"4M2018"	the four months ended 30 April 2018

"4M2019"	the four months ended 30 April 2019
"sq.m."	square metre(s)

Unless otherwise expressly stated or the context otherwise requires, in this document,

- all references to times and dates refer to Hong Kong times and dates;
- the terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings ascribed thereto under the Listing Rules;
- all data in this document is as at the Latest Practicable Date;
- certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and
- all relevant information in this document assumes no exercise of the **[REDACTED]**.

The English names of the PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, certificates and titles etc. mentioned in this document, including those marked with "*", are translations from their Chinese names and are for identification purpose only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this document in connection with our Group and our business. Some of these terms and their meanings may not correspond to standard industry meanings or usage of such terms.

"13th Five-Year Plan (2016–2020)"	the 13th Five-Year Plan (2016–2020) for National Economic and Social Development of the PRC (中華人民共和國國民經濟和社會發展第十三個五年規劃)
"CAGR"	compound annual growth rate
"CIF"	cost, insurance and freight, a shipping arrangement where the seller is responsible for costs and assumes liability until the goods reach a destination chosen by the buyer
"fluorine"	a chemical element with symbol F
"high-purity niobium pentoxide"	a type of niobium pentoxide with a purity of not less than 99.95%, which is widely used for the production of optical glass and niobate
"high-purity tantalum pentoxide"	a type of tantalum pentoxide with a purity of not less than 99.95%, which is widely used for the production of optical glass and tantalate
"HSLA steel"	high-strength low-alloy steel, a kind of corrosion-resistant and malleable steel
"hydrometallurgy"	a technique for the recovery of a metal from an aqueous medium in which the metal is preferentially dissolved (濕法冶金), and is employed to produce tantalum- and niobium-based hydrometallurgical products including tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate
"industrial grade niobium pentoxide"	a type of niobium pentoxide with a purity of ranging from 99.0% to 99.6% according to a PRC national standard issued by MIIT, which is a versatile metallurgical material used in the manufacturing processes across the metallurgical, chemical, ceramics, aeronautics and other industries
"industrial grade tantalum pentoxide"	a type of tantalum pentoxide with a purity of ranging from 99.0% to 99.6% according to a PRC national standard issued by MIIT, which is a versatile metallurgical material used in the manufacturing processes across the metallurgical, chemical, hard alloy and other industries

GLOSSARY OF TECHNICAL TERMS

"ISO"	the International Organisation for Standardisation, an independent non-governmental organisation that develops and publishes international standards
"ISO 14001"	standards developed and published by the ISO that help organisations minimise the negative effects of their operations on the environment and comply with applicable laws, regulations and other environmentally oriented requirements
"ISO 9001"	standards developed and published by the ISO for all organisations, regardless of type, size and product for a quality assurance system
"kg"	kilogramme(s)
"loaded organic phase"	an organic solution containing other substances, such as tantalum and niobium
"Made in China 2025"	a ten-year guideline and the equivalent of Industry 4.0 proposed by the PRC Government in a circular issued by the State Council on 8 May 2015, to encourage the development and transition of China's manufacturing industry towards high-end smart manufacturing
"niobium"	a chemical element with symbol Nb
"niobium ores"	ores that contain niobium normally in the form of pentoxide, where the grade of ores varies in terms of pentoxide concentration
"niobium pentoxide"	an inorganic chemical compound with the chemical formula Nb_2O_5
"OHSAS"	the occupational health and safety management systems, which provides a framework for organisations to identify and control its occupational risks and to improve their occupational safety and health performance
"OHSAS 18001"	the requirements for occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
"pentoxide products"	comprises tantalum pentoxide (Ta_2O_5) and niobium pentoxide (Nb_2O_5)
"potassium heptafluorotantalate"	a chemical element with chemical formula K_2TaF_7

GLOSSARY OF TECHNICAL TERMS

"production volume"	the volume of goods produced within a certain period to be ready for sale
"pyro-metallurgy"	a metallurgical technique performed at high temperatures, including sintering, roasting, smelting, casting, refining, and alloying, etc. (火法冶金), and is employed to produce tantalum- and niobium-based pyro-metallurgical products including tantalum powder
"tantalum"	a chemical element with symbol Ta
"tantalum ores"	ores that contain tantalum normally in the form of pentoxide, where the grade of ores varies in terms of pentoxide concentration
"tantalum pentoxide"	an inorganic chemical compound with the chemical formula Ta_2O_5
"target materials"	a slab of coating material used in the coating process for manufacturing a variety of industrial products
"tonne"	metric tonne, equivalent to 1,000 kg
"YS/T 427-2012"	a PRC national standard issued by MIIT for industrial grade tantalum pentoxide
"YS/T 428-2012"	a PRC national standard issued by MIIT for industrial grade niobium pentoxide
"YS/T 547-2007"	a PRC national standard issued by NDRC for high-purity tantalum pentoxide
"YS/T 548-2007"	a PRC national standard issued by NDRC for high-purity niobium pentoxide
"YS/T 578-2006"	a PRC national standard issued by NDRC for potassium heptafluorotantalate
"%"	per cent

FORWARD-LOOKING STATEMENTS

We have included in this document some forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals, and our ability to implement such strategies, plans, objectives and goals;
- changes in the regulatory and operating conditions in the industry and the markets in which we operate;
- future developments, trends, conditions and the competitive environment in the industry and the markets in which we operate or into which we intend to expand;
- our expansion plans;
- our financial condition and performance;
- our future debt levels and capital needs;
- financial market developments;
- changes in the general economic and political conditions in China;
- our production capabilities;
- our ability to reduce costs;
- our capital expenditure plans;
- our business prospects;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and the markets in which we operate;
- the actions and developments of our competitors;
- certain statements in section headed "Financial Information" in this document with respect to trends in prices, production volumes and profit margins;
- overall market conditions and exchange rates; and
- other statements in this document that are not historical facts.

In some cases, we use the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions to identify forward-looking statements.

FORWARD-LOOKING STATEMENTS

In particular, we use these forward-looking statements in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information", "Future Plans and **[REDACTED]**" and other sections of this document in relation to future events, our future financial, business or other performance and development, the future development of our industry, and the future development of the general economy of our key markets. These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors, including the risk factors set out in the section headed "Risk Factors" in this document, could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. The forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

You should carefully consider each of the risks described below and all of the other information contained in this document, including the Accountants' Report, before deciding to ***[REDACTED]*** *in the* ***[REDACTED]****. Our Company's business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks. You should pay particular attention to the fact that our subsidiary in China is governed by legal and regulatory environments that in some respects differ significantly from that of other countries. The trading price of the* ***[REDACTED]*** *could decline due to any of these risks, as well as additional risks and uncertainties not presently known to us, and you may lose all or part of your* ***[REDACTED]****.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our sales are dependent, among other things, on the conditions of the global and PRC economy

During the Track Record Period, we derived our revenue primarily from the production and sale of pentoxide products and potassium heptafluorotantalate in China. We also export our products to overseas markets, including the United States, Japan, South Korea and EU countries. The demand for our products is dependent on, among other things, the conditions of the global market and, in particular, the PRC economy. For instance, the demand for niobium pentoxide in China is significantly affected by the market demand for special alloys because niobium pentoxide produced by metallurgical companies has been widely used by metallurgical companies as raw materials to produce special alloys. However, as the growth of China's overall economy has slowed down in recent years, the development of the heavy industries, including the metallurgy industry, has experienced fluctuations. Any further significant slowdown in economic growth in China and fluctuations in our downstream industries may reduce the demand for our products and materially and adversely affect our business, financial condition, results of operations and profitability. The demand for our products outside China is dependent on, among other things, the growth of the heavy industries, including the metallurgy industry, in the overseas markets, which in turn is closely correlated with the growth of the global economy.

In addition, factors such as general economic conditions, interest rates, inflation and unemployment rates as well as GDP growth in China and the global market will also affect the growth of industries where our products are widely used and applied. As a result, a downturn in the relevant industries in the PRC or in the overseas markets could impact our sales, resulting in downward pressure on the prices, volume and profit margins, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our growth during the Track Record Period may not be indicative of our future growth

Our revenue increased from approximately RMB217.4 million for FY2016 to approximately RMB307.4 million for FY2017, and further increased to approximately RMB514.7 million for FY2018. For 4M2019, our revenue amounted to approximately RMB203.8 million, representing an increase of approximately RMB66.2 million from approximately RMB137.6 million for 4M2018. However, there is no assurance that our revenue will continue to grow at the same rate, or at all. Our business operations are subject to various factors, many of which are beyond of our control. For instance, the changing regulatory, economic and competitive environment, and many other factors cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, our future business growth depends on the success of our business expansion, in

particular, the extension of our production and sales to downstream products. For details of our business strategies, please refer to the paragraph headed "Business — Our business strategies" in this document. As a result, our past results may not be indicative of our future performance.

We sold a substantial volume of our products to a limited number of customers

During the Track Record Period, we derived a substantial portion of our revenue from a limited number of customers due to the nature of our products and business. For FY2016, FY2017, FY2018 and 4M2019, revenue generated from our five largest customers amounted to approximately RMB97.5 million, RMB161.7 million, RMB321.0 million and RMB113.2 million, respectively, constituting approximately 44.9%, 52.6%, 62.4% and 55.5% of our total revenue for the same years/period, respectively. Our revenue generated from a limited number of customers may expose us to concentration risks. There is no assurance that our existing customers, in particular, our five largest customers during the Track Record Period, will continue to purchase our products, or that we will be able to maintain or improve our relationships with these customers, or that we will be able to continue to supply products to these customers at the current levels, or at all. If any of our key customers were to reduce substantially the size or number of the orders they place with us, or were to terminate their business relationships with us entirely, we may not be able to obtain orders from other customers to replace any lost sale on comparable terms or at all. As a result, our business, financial condition and results of operations could be adversely affected.

We may experience fluctuation or changes in price, availability and quality of raw materials

Our continuing success depends on our ability to obtain adequate supplies of high-quality raw materials on commercially acceptable terms and in a timely manner to support our operations and future plans. Tantalum ores and niobium ores, which are scarce resources, are the principal raw materials used to produce pentoxide products and potassium heptafluorotantalate. For details, please refer to the paragraph headed "Business — Raw materials, utilities and suppliers" in this document. For FY2016, FY2017, FY2018 and 4M2019, purchases from our five largest suppliers constituted approximately 72.1%, 52.9%, 53.7% and 73.8% of our total purchases for the same years/period, respectively. During the Track Record Period, we primarily sourced our tantalum ores and niobium ores from Sierra Leone, Nigeria and Brazil mainly through trading with mining companies or trading companies in these areas. The prices and availability of our raw materials depend on a variety of factors beyond our control, for example, the economy of the countries where we procure the raw materials, their domestic government policies and their political relationship with China, and whether our suppliers are located in non-conflict regions with a lower level of political risk. We therefore cannot guarantee that our raw material prices will remain stable at current levels or that we will not experience difficulties obtaining supplies of raw materials in the future. According to the CIC Report, the average market price for imported tantalum ores decreased significantly from approximately RMB1.2 million per tonne in 2014 to approximately RMB0.8 million per tonne in 2016, and started to rebound to approximately RMB1.0 million per tonne in 2017 and reached approximately RMB1.3 million per tonne in 2018. We expect that the price of tantalum ores and niobium ores will continue to fluctuate in the future.

Although we plan to explore avenues to further secure the supply of raw materials to us, such as setting up an office in Brazil to enhance relationship with the local small and medium mine owners or suppliers, there is no assurance that we could successfully implement these plans. Any delays in delivery or supply disruptions may significantly affect our production schedule and our ability to deliver

our products to customers in a timely manner. If the prices of our raw materials increase significantly and we are unable to pass on such price increases to our customers, and/or to obtain alternative sources of raw materials at acceptable prices, or at all, our cost of sales may increase and our profit margins may decrease, which would materially and adversely affect our business, financial condition and results of operations.

Further, the quality of our raw materials is key to our overall product quality. We typically set forth our product specifications in our purchase orders, and retain a percentage of contract prices until we receive the required ore sample testing report issued by an independent testing company to our satisfaction. However, we may not be able to discover quality defects or flaws because it is not realistic to test the entire batch of tantalum ores and niobium ores, and the quality of the remaining untested portion of tantalum ores and niobium ores may not be consistent with the quality of the tested ore sample. Any major quality defects in our raw materials may affect the purity levels of our products, or that we are unable to meet our customers' specific requirements on such products, which in turn, would affect the selling prices of such products and adversely affect our business, reputation, financial condition and results of operations.

The market prices of our tantalum- and niobium-based metallurgical products may fluctuate

Fluctuations in global and domestic prices of our tantalum- and niobium-based metallurgical products may be attributable to various factors which are beyond our control. Such factors include changes in prices of raw materials, global and domestic supply and demand, general market conditions, government policies and regulations, the bargaining power of our customers and exchange rates. There is no assurance that the prices of our tantalum- and niobium-based metallurgical products will increase or stay at the current level. Any significant decrease in prices of our tantalum- and niobium-based metallurgical products could have a material adverse effect on our business, financial condition and results of operations.

Our production capacity may not be fully utilised due to insufficient or unstable demand and might not achieve the intended economic results or commercial viability

We maintain separate production lines and production capacity for pentoxide products and potassium heptafluorotantalate. As such, if one of our products faces insufficient or unstable demand, the utilisation of the production capacity for such product will be affected. We constructed four new production lines in April 2017 to expand our production capacity of pentoxide products. As a result of our expansion, our sales volume of pentoxide products increased from approximately 278.4 tonnes for 4M2018 to approximately 442.3 tonnes for 4M2019. Although we experienced growth in our sales volume of pentoxide products for 4M2019, there is no assurance that such level of demand will maintain in the future. As such, there may be a insufficient demand for our products, resulting in low utilisation rate of our production facilities. Our actual production volume may vary depending on the demand for our products, which in turn may be affected by the market trend, customers' preferences or other factors beyond our control. If the orders from our existing customers are not sufficient to fully utilise our production capacity and there is a lack of new customers, our production lines might be operated at a utilisation rate lower than our desired rate, which may adversely affect our business, financial condition and results of operations could be adversely affected.

Our sales were primarily denominated in RMB whereas our purchases of tantalum ores and niobium ores were primarily denominated in USD. Fluctuations on exchange rates between RMB and USD may have a material and adverse impact on our financial condition and profitability

Our sales were primarily denominated in RMB, whereas our purchases of tantalum ores and niobium ores were primarily denominated in USD. For FY2016, FY2017, FY2018 and 4M2019, our sales that were made in RMB amounted to approximately RMB173.9 million, RMB260.5 million, RMB462.8 million and RMB185.5 million, respectively, representing approximately 80.0%, 84.8%, 89.9% and 91.0% of our total revenue of the same years/period, respectively. For FY2016, FY2017, FY2018 and 4M2019, our purchases that were made in USD amounted to approximately RMB119.9 million, RMB170.8 million, RMB325.6 million and RMB67.7 million, respectively, representing approximately 80.2%, 67.9%, 74.4% and 79.3% of our total purchases of the same years/period, respectively. If USD strengthens against RMB, we would need to incur a higher amount of RMB to settle our purchases denominated in USD, which may in turn materially and adversely affect our financial condition and profitability.

Our future capital expenditure may lead to increase in depreciation expenses

We intend to acquire a parcel of land, construct new production facilities and acquire machinery to extend our production to downstream products. For details of our business strategies, please refer to the paragraph headed "Business — Our business strategies" in this document. Therefore, it is expected that our depreciation expenses will increase after the implementation of our business strategies. This may affect our operating results and financial performance.

Our product portfolio is limited

We generated a majority of revenue from sale of tantalum pentoxide and niobium pentoxide. For FY2016, FY2017, FY2018 and 4M2019, sale of these two principal products contributed approximately 77.0%, 76.6%, 66.2% and 74.1% of our total revenue, respectively. We expect that the sale of these two products will continue to contribute a substantial portion of our total revenue in the near future, and we may be particularly susceptible to factors adversely affecting the sales volume, pricing levels or profitability of any of these two principal products, as compared to companies with more diversified product offerings. In addition, our limited product diversification could inhibit the opportunities for growth of our business, revenues and profits. If we are unable to maintain our current sales volume, pricing levels and profit margins of these two principal products, our revenues and profitability could be materially and adversely affected.

We had net cash used in operating activities for FY2017 and 4M2019, and we may have difficulty meeting our payment obligations if we continue to record net cash used in operating activities in the future

We had net cash used in operating activities of approximately RMB19.6 million and RMB7.2 million for FY2017 and 4M2019, respectively, and we may experience cash flow mismatch in our business. Our net cash used in operating activities were primarily due to an increase in inventories, an increase in prepayments, deposits and other receivables and a decrease in amount due to related parties. For detailed analysis of our cash flows, please refer to the paragraph headed "Financial Information — Liquidity and capital resources — cash flows" in this document. Notwithstanding we recorded net cash generated from operating activities of approximately RMB50.0 million for FY2018, we may continue to

experience net cash used in operating activities in the future. Our operating cash flows may be adversely affected by a number of factors beyond our control, including but not limited to, market condition and the macroeconomic environment. Our future liquidity, the payment of trade payables, prepayments, deposits and other payables, and repayment of any debt obligations, as they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities. If we are unable to maintain adequate cash inflows from operating activities, we may default on our payment obligations, which may materially and adversely affect our business, financial condition, results of operations and prospects.

We may experience interruptions in the operations of our facilities and may be adversely affected by significant downtime at our facilities for repair and maintenance

We have a single production plant in Yingde, Guangdong Province. Yingde, as a city in the coastal region, may experience tropical cyclones from time to time, which may interrupt the daily operation of our production facilities. There is no assurance that any incident of inclement weather or natural disasters in the future will not have a negative impact on our operations.

We anticipate downtime for routine repairs and maintenance at our production facilities. The time and cost required for repairs and maintenance could exceed our expectations depending on a number of factors. These factors include whether we can perform a required repair on-site, the extent of damage, the availability of replacement components and the capacity of our third-party repair and maintenance service providers. In addition to routine repair and maintenance, we may need to make extraordinary or extensive repairs to our facilities due to catastrophic events, substantial damage or other unexpected events or component failures. Generally, we suspend our production for several days to conduct repairs and maintenance at our production facilities. For 4M2019, we suspended our production for 25 days for our routine repair and maintenance. Since we needed to test the machinery acquired during the expansion of our production facilities and our total production volume for pentoxide products and potassium heptafluorotantalate increased by approximately 28.1% from approximately 1,031.0 tonnes for FY2017 to approximately 1,321 tonnes for FY2018, our Directors considered that it was necessary to have a longer downtime than the past years for testing and routine repair and maintenance in February 2019.

Going forward, if we require longer time for routine repair and maintenance in future, our production facilities could experience prolonged or significant downtime or reduction in capacity, and our operations would be materially disrupted. For certain damage to equipment, the relevant equipment may need to be transported to the original supplier for repair and specialised components may need to be commissioned, which may take several months.

Any significant downtime at our facilities may reduce our total output and utilisation, or result in termination of agreements with our customers. Any of these outcomes could adversely affect our business, results of operations, financial condition and prospects.

We plan to set up overseas offices, which may expose us to various risks associated with conducting business in overseas jurisdictions

As part of our long-term objective of (i) expanding overseas customers base and (ii) gaining stable and priority access to high-quality tantalum ores and niobium ores at favourable prices and diversifying our sources of raw material supplies, we plan to set up an office in the United Kingdom to capture

business opportunities in Europe; and an office in Brazil to enhance relationship with local small and medium mine owners and suppliers, which in return enable us to secure stable raw materials supply in Brazil. However, there can be no assurance that we will be able to identify, negotiate and establish such relationship with potential customers, local mines and suppliers. In addition, we will be exposed to various risks associated with conducting business in foreign countries and territories that include, among others:

- risks of business interruption and property loss due to political risks, including civil unrest, acts of terrorism, acts of war, regional and global political or military tensions and strained or altered foreign relations;
- risk of incurring significant debt;
- economic, financial and market instability and credit risks;
- unfamiliarity with foreign business environments and market conditions;
- non-compliance with foreign laws, regulatory requirements and local industry standards;
- exposure to penalties, liabilities, litigation or third-party claims outside China;
- abrupt changes in foreign government regulations, policies or preferential treatment;
- foreign currency controls and fluctuations;
- cultural and language difficulties;
- tax increases or adverse tax policies;
- trade restrictions;
- discrimination, protectionism or unfavourable policies against companies from China for national security or other purposes;
- economic sanctions;
- potential disputes with foreign partners or customers; and
- lack of a well-developed or independent legal system in certain foreign countries in which we establish these alliances, which may create difficulties in the enforcement of legal rights.

We could be adversely affected as a result of our purchase from certain countries that are, or become subject to, economic sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities

We could be adversely affected as a result of any purchase we make from certain countries that are, or become subject to, sanctions administered by the United States, the EU, the United Nations, Australia and other relevant sanctions authorities. The U.S. and other jurisdictions or organisations, including the EU, the United Nations and Australia, have, through executive order, passing of legislation

or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, our Group procured tantalite ores originating from Burundi, the Democratic Republic of the Congo and Zimbabwe, such countries are subject to various targeted sanctions programme. The costs of procuring tantalite ores from originating from Burundi, the Democratic Republic of the Congo and Zimbabwe was approximately RMB6.9 million, RMB13.9 million, RMB67.2 million, RMB25.1 million and nil for FY2016, FY2017, FY2018, 4M2018 and 4M2019, respectively, representing approximately 4.6%, 5.5%, 15.4%, 16.7% and nil of our Group's total purchases for the same years/period, respectively. As advised by Hogan Lovells, our Company's legal advisers as to International Sanctions law, was of the view that the Group's business activities during the Track Record Period would not expose it to material sanctions risk and consequently, and no filings in respect of non-compliance with International Sanctions are required.

However, International Sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of the U.S., the EU, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group. In such events, our financial results may be materially and adversely affected.

Any of the above factors could lead to, among others, business disruptions and loss of sales, which could have a material and adverse effect on our business operations and overall growth strategies.

Our operations may be subject to transfer pricing adjustments by tax authorities

During the Track Record Period, Zhiyuan New Material purchased raw materials from its immediate holding company, Xite Hong Kong. For FY2016, FY2017, FY2018 and 4M2019, the purchase by Zhiyuan New Material from Xite Hong Kong amounted to nil, nil, approximately HK$61.4 million and HK$45.1 million, respectively.

In the event that our Group's tax position is subject to review and possible challenge by the Hong Kong and/or PRC tax authorities or there is a change in the tax policy and relevant tax laws in Hong Kong and/or the PRC, it may adversely affect our Group's financial position and results of operation. In preparing our Group's consolidated financial statements, our Directors have reviewed and assessed our Group's transfer pricing risk as it is possible that the tax authorities may challenge our Group's transfer pricing policy. We cannot assure that we will not be found to be operating in breach of the relevant transfer pricing-related laws, or that such laws will not be modified, which, as a result, may require changes to our Group's transfer pricing practices or operating procedures. Any determination of income reallocations or modifications of the relevant transfer pricing-related laws could result in an income tax assessment and other relevant charges on the portion of income deemed to be derived from the taxing jurisdiction that so reallocates the income or modifies its relevant transfer pricing-related laws. For further details of our transfer pricing arrangements and the advice given by the Tax Adviser on transfer pricing, please refer to the paragraph headed "Business — Transfer pricing arrangement between Zhiyuan New Material and Xite Hong Kong" in this document.

We may fail to compete effectively in our industry

We actively compete with companies producing the same or similar products with respect to quality, price, timely delivery and service. Some of our competitors are established enterprises with longer operating histories, greater financial resources, larger customer bases, more renowned brand or name recognition and offer a broader range of products and services than us. As a result, these competitors may be better at adapting to the changes in conditions within the markets where we operate, such as fluctuation in raw material prices or negative trends in the economy as a whole. Failure to compete effectively with our competitors may adversely affect our business and prospects.

In addition, we may in the future face more sophisticated competitions, including those from international competitors operating in China. Further, our overseas raw material suppliers may enter the tantalum and niobium metallurgy industry by establishing production plants in China or overseas, and have competitive advantages against us relating to raw material supplies. Competitive pressure may require us to reduce our prices and force us to reduce research and development expenses, and therefore may adversely affect our business, financial condition, results of operations and market position.

The tantalum and niobium metallurgy industry is capital intensive

The tantalum and niobium metallurgy industry is capital intensive. We require additional capital resources to pursue our business strategy of growing our business and to remain competitive by responding timely to technological changes or market demand. In particular, we require significant capital to: (i) implement our future plans; (ii) maintain, operate and improve our production facilities; (iii) bring our production facilities to the planned levels of production; and (iv) enhance and improve our production capabilities. We expect to meet our funding needs using **[REDACTED]** from the **[REDACTED]**, cash flow from operations, bank borrowings and other external financing sources. However, our ability to obtain additional financing will depend on a number of factors, including general economic conditions in China, prevailing conditions in capital markets, regulatory requirements, our financial condition, results of operations and cash flows, and costs of financing including changes in interest rates. There can be no assurance that we will generate sufficient cash flows or be able to obtain external funds on acceptable terms for our intended future plans and our daily operation. If we are unable to obtain sufficient funding on acceptable terms or at all, we may not be able to successfully implement our business strategy, and our prospects could be materially adversely affected.

Our business may be harmed if our products do not comply with industry standards or our customers' requirements

We are principally engaged in the production and sale of tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, all of which are subject to established industry standards in China as well as specification requirements of our customers. For example, by purity, tantalum pentoxide and niobium pentoxide are further classified into industrial grade tantalum pentoxide and high-purity tantalum pentoxide, and industrial grade niobium pentoxide and high-purity niobium pentoxide, respectively. There are established industry standards regarding the purity levels that each of these products shall meet. In addition, we are required to provide products that meet the specification requirements stipulated in our sales agreements. However, we can give no assurance that our existing or future products will always meet the evolving industry standards or our customers' requirements, or that we will not incur significant costs in ensuring our compliance with these standards or requirements. If we fail to comply with such standards or requirements, we may be required to incur additional

expenditures to improve our production processes or change product compositions, or we may be subject to penalties for breach of the sales agreements, any of which would adversely affect our reputation, business, results of operations and growth prospects.

We did not obtain land use right certificates for part of our self-used land and building ownership certificates for four of our self-used buildings in PRC as at the Latest Practicable Date

As at the Latest Practicable Date, we did not obtain land use right certificates for the land with a total site area of approximately 21,904 sq.m. and representing 19.3% of the total site area of our self-used land in PRC. Our PRC Legal Advisers have advised us that the relevant competent authorities may impose fines or penalties on us. Obtaining land use right certificates is also a prerequisite for applying for subsequent construction related permits, and applying for building ownership certificates. For details, please refer to the paragraph headed "Business — Compliance and legal proceedings — Non-compliance" in this document. We cannot assure you that our titles to or uses of the relevant land and buildings will not be further challenged in the future or that we will obtain the land use right certificates as planned. Any of these would adversely affect our business, financial condition and results of operations.

As at the Latest Practicable Date, we had not obtained the building ownership certificates for four buildings with a gross floor area of approximately 7,615 sq.m. and representing approximately 27.2% of the gross floor area of our self-used buildings in PRC. We have applied for the building ownership certificates. As such, our rights to these buildings may be limited or challenged by relevant competent authorities and we may also be subject to administrative fines or other penalties, which may materially and adversely affect our business operations, divert management attention and other resources and incur significant costs. For details, please refer to the paragraph headed "Business — Compliance and legal proceedings — Non-compliance" in this document.

If our rights to, or uses of, the relevant land and buildings were to be limited, or if we are restricted from occupying and using such land and buildings, or if any fines are imposed on us, our operations may be disrupted and our business, financial condition and results of operations may be materially and adversely affected.

Our business depends on our key senior management members, and we may not be able to find suitable replacement in case of loss of service of any of them

Our growth and success depend to a significant extent on the continued service of our key senior management, including our executive Director and chief executive officer, Mr. Wu, as well as members of our senior management, Mr. Zhong Yuelian and Mr. Shi Bo, who have over 30, 25 and 20 years of experience working in the tantalum and niobium metallurgy industry, respectively. With their knowledge and experience, the continuous service of our key senior management members is important to our future prospects and development. If any of our key senior management members ceases their employment, we may have difficulty in finding suitable replacements with similar industry experience. The loss of service of any of our key senior management, or failure to find suitable replacements, could adversely affect our business operations, financial condition, results of operations and prospects.

Our strategy to increase sale of our products overseas is subject to uncertainties and risks

During the Track Record Period, we sold a majority of our products to customers in China. We directly sold our products to overseas customers, most of which are trading companies and in turn resell our products to overseas companies, which are the end-users of our products. We also directly sold our products to a limited number of overseas end-use customers. We do not consider the overseas trading companies as our sales agents because they do not sell our products to their customers on our behalf. As a result, there are no significant differences in pricing terms, actual sales arrangement and actual payment arrangement for sales to overseas trading companies and overseas end-use customers. For details, please refer to the paragraph headed "Business — Customers, sales and marketing — Sales and marketing" in this document. It is our strategy to increase our sales to our overseas end-use customers and improve the coverage and penetration in the overseas markets. However, we have limited experience in direct sales to overseas end-use customers and currently do not have the international distribution channels we would need to directly sell our products to overseas end-use customers. Furthermore, direct sales to overseas end-use customers will subject us to different regulatory schemes and trade controls with which we may not be familiar. Therefore, implementing this strategy could be costly and time-consuming, and there is no assurance that we will be successful in increasing our sales to overseas end-use customers with our own sales force. Failure to do so could adversely affect our business operations and prospects.

Increased import tariffs imposed by the United States could adversely impact our export sales revenue

During the Track Record Period, we generated revenue from customers in the United States. Our revenue from customers in the United States amounted to approximately RMB20.0 million, RMB21.9 million, RMB20.0 million and RMB10.4 million for FY2016, FY2017, FY2018 and 4M2019, respectively, representing approximately 9.2%, 7.1%, 3.9% and 5.1% of our total revenue, respectively.

Throughout 2018, there have been reports from the United States and China regarding the potential imposition of tariffs on goods manufactured in each of these countries and exported for sale to the other country. In particular, the Office of the United States Representative provided notice that the United States was imposing tariffs of 10% effective from 24 September 2018, which were officially increased to 25% on 10 May 2019, on various products imported from China to the United States. A number of tantalum and niobium products were listed among the products that may be subject to these import tariffs, including some of the products we sell into the United States. To the extent that our products are subject to these tariffs, it could make our products more expensive in the United States, which could adversely impact the demand for our products in the United States. There remains much uncertainty as to whether the trade negotiations between the United States and China will be successful and how the trade war between the United States and China will progress This in turn may adversely impact the price competitiveness of the products we sell to the United States, and reduce U.S. customers' demand for our products, if the parties paying tariffs would pass these costs on to customers or otherwise increase sale prices. If these consequences are realised, it may materially and adversely affect our sales volume and revenue from the United States, which may adversely affect our overall business and financial conditions.

We may experience interruption or shortage of utilities or fluctuation in utility prices

Our production process requires a stable and sufficient supply of utilities, primarily electricity and water. Electricity plays a crucially important role in our production process, as our production facilities generally run for 24 hours every day. As such, our entire production process may be forced to be suspended if there is an insufficient supply of utilities or a suspension of such supplies. We also anticipate that our reliance on such supplies would further increase as we seek to expand our production capacity from time to time. The local government may impose power supply limits, which will lead to power shortages. Any shortage or disruption of supply of these utilities may therefore adversely affect our production process and prevent us from meeting obligations under sales agreements to our customers during the affected period, and, in turn, adversely affect our business, financial condition and results of operations.

We may have difficulty in managing our future growth

We experienced growth during the Track Record Period due to the expansion of our operating scale and improvement of our technologies. We expect our business to continue to grow. Our ability to manage our growth effectively depends on whether we can: (i) improve our operational, financial and management systems; (ii) further develop the skills of our management team; (iii) hire additional qualified personnel; (iv) train, motivate, manage and retain our employees; (v) maintain adequate facilities and equipment; and (vi) continue to expand our research and development, sales and marketing, and technological capabilities. However, we cannot assure you that our systems, procedures, personnel and expertise will be adequate to support our future growth. If we fail to sustain our profitability or manage our growth effectively, our business, financial condition and results of operations could be materially and adversely affected.

Furthermore, as we continue to develop and expand our business and operating scale, we expect our financing and operating costs to increase. Consequently, our long-term success is also dependent on our ability to secure sufficient capital. If we fail to manage any or all of these critical factors, including our internal control systems and procedures, qualified personnel and required expertise as well as our increased costs, our ability to develop our overall business and operating scale could be undermined.

We rely on third-party logistics service providers to deliver our products

We rely on a number of third-party logistics service providers for the transportation and delivery of our products to our domestic and overseas customers. Disputes or termination of our relationships with the logistics service providers could result in delayed delivery of our products, increased transportation costs or customer dissatisfaction. In addition, the services provided by these logistics service providers could be interrupted due to various unforeseeable factors, such as adverse weather conditions and accidents that may obstruct the transportation channels, which may in turn result in delay in delivery and damages to products. Further, as we do not have any direct control over the logistics service providers, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products or any other issue, we may lose our customers and our reputation may be damaged.

Our business operations are subject to risks relating to hazardous chemicals and potential accidents arising from our operations, and other unforeseen risks

The production process of tantalum- and niobium-based metallurgical products involves the handling and processing of hazardous chemicals, such as sulphuric acid and hydrofluoric acid. Improper handling of these chemical materials or wastes can result in pollution. Any accidents resulting from improper handling of these chemicals may cause serious environmental, health and safety issues for our employees or others, cause damage to our production facilities and result in production interruptions.

Furthermore, our business involves the operation of machinery, which, if operated improperly, may result in health and safety issues for our employees, such as physical injury or even fatalities. If work-related accidents resulting in employee injuries or deaths occur, we may be liable for medical and other payments to the employees and their families, in addition to possible fines or penalties. We cannot assure you that all risks have been covered adequately by our existing insurance policies. If we incur substantial liabilities and they are not covered by our insurance policies, our business, financial condition and results of operations may be adversely affected. Our operations are also subject to unforeseen risks, such as political unrest and natural disasters. We cannot assure you that we are insured for any of these risks or that, if insured, we will be successful in making claim under our insurance policies or that the insurance proceeds will be sufficient to compensate the actual damages suffered, or at all. Any of these events may also lead to litigation, government fines or penalties, which in turn may adversely affect our business, reputation, financial condition and results of operations.

We may not be able to protect our intellectual property rights

We have proprietary intellectual property rights and know-how with respect to techniques for the production of tantalum pentoxide and niobium pentoxide and waste recycling. We rely on patents to protect our intellectual property rights. As at the Latest Practicable Date, we owned 24 patents in China. In addition, we registered one trademark in Hong Kong and one trademark in China. For details, please refer to the paragraph headed "Further information about the business of our Company — 8. Intellectual property rights of our group" in Appendix V to this document. However, our protective measures may not be sufficient to prevent the misappropriation or unauthorised disclosure of our intellectual property or information. There can be no assurance that we will be successful in bringing enforcement actions against parties who we believe have infringed upon our intellectual property rights. In addition, intellectual property laws in China, where substantially all of our business was carried out during the Track Record Period, are still evolving and may not afford the same level of protection as the laws of other jurisdictions. If we are unable to adequately protect our intellectual property rights to prevent misuse or misappropriation by any of our competitors, the value of our brand and other intangible assets may be diminished and our business may be materially adversely affected.

In addition, seeking patent protection can be costly and time-consuming. There can be no assurance that pending or future patent applications will be granted or that, if such patents are granted, they will provide meaningful protection or other commercial advantages to us. Moreover, there can be no assurance that any patent rights will be upheld by the courts in the future.

We may experience labour shortage or increased labour costs

Our direct labour costs accounted for approximately 2.2%, 2.2%, 1.8% and 2.0% of our cost of sales for FY2016, FY2017, FY2018 and 4M2019, respectively. In the future, labour costs in the PRC are expected to increase and additional legislations and regulations on labour protection, such as an increase in statutory minimum wages, may be enacted by the PRC Government. We cannot assure you that we will not experience any shortage of labour or that labour costs will not increase in the future. If we experience any labour shortages, we may not be able to maintain our production volume. Moreover, increases in our labour costs could result in increases in our production costs, which may not be passed on to our customers. Accordingly, if we experience labour shortages or increased labour costs, our business, financial condition and results of operations could be adversely affected.

Our insurance coverage might not be adequate to cover all the risks

We take out property insurance for our equipment and machinery, as well as automobile insurance for our vehicles. These insurance policies cover the risk of damages arising from natural disasters and certain accidents, such as fire and explosion, as well as vehicle damages due to accidents. However, most of our insurance policies are subject to standard deductions, exclusions and limitations. We believe these insurance policies are generally in accordance with customary industry practises, including deductibles and limits of coverage, but we cannot be fully insured against all potential hazards incidental to our business, including losses resulting from business interruptions, or all potential losses, including damage to our reputation. If we were to incur significant liabilities for which we are not fully insured, it may have an adverse effect on our results of operations. As a result of market conditions, premiums and deductibles for certain insurance policies may increase substantially and, in some instances, certain insurance policies may become unavailable at a reasonable cost or available only for certain risks. If we were for any reason no longer covered by our existing insurance policies, we may not be able to obtain replacement insurance policies on acceptable terms or at all, which may have an adverse effect on our results of operations.

We may incur additional costs in complying or fail to comply with future changes in various environmental, health and safety laws

We are subject to applicable national and local laws and regulations relating to environment protection and work safety, such as the Environment Protection Law, the Work Safety Law and the Regulations on the Safety Management of Hazardous Chemicals. The production process of tantalum- and niobium-based metallurgical products involves the handling and processing of hazardous chemicals, such as sulphuric acid and hydrofluoric acid. Improper handling of these hazardous chemicals can result in pollution. Any accidents resulting from improper handling of these chemicals may cause serious environmental, health and safety issues. In addition, our operations generate acid gas, waste water, noise and solid waste, which could potentially be harmful to the environment and health of local residents as well as our employees in case of improper handling.

As these laws and regulations continue to evolve, we cannot guarantee that we will continue to be in compliance with all applicable laws and we may incur additional costs in complying with such laws and regulations. Failure to comply with any of these laws and regulations could hinder our production activities and operations, thereby resulting in the untimely delivery of products, delayed receipt of revenue, loss of income, the incurrence of substantial costs and fines, and the suspension or termination

of our sales contracts. Any limitations or costs incurred as a result of our non-compliance with environmental, health and safety laws and regulations may have a material adverse effect on our business, financial condition and results of operations.

Negative publicity or damage to our reputation may have a potential adverse impact on our business

We value and rely on our reputation to maintain and grow our business operations. Negative publicity associated with our operations could result in loss of business, divert management attention and other resources and incur litigation costs. We conduct business with a number of counterparties, including customers and suppliers. If any of such counterparties, or any of our former employees, is dissatisfied with us, whether or not justified, and raises any complaints or allegations relating to our operations and/or our Directors or employees, our business may be adversely affected. Any negative publicity on any form of media following such complaints or allegations, regardless of whether the court has ruled in our favour or otherwise, may also damage our reputation and impact customers' perceptions of our brand, which may in turn materially and adversely affect our business and results of operations.

We may not continue to enjoy preferential tax treatments or receive government grants

Our results of operations and profitability are affected by changes in tax rates in the PRC. Our PRC subsidiary, Zhiyuan New Material, was accredited as a High-tech Enterprise since 2012 and enjoyed a preferential EIT rate at 15% during the Track Record Period. For details, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Income tax expense" in this document. As a result, for FY2016, FY2017, FY2018 and 4M2019, our effective tax rates were approximately 15.1%, 17.3%, 14.4% and 17.9%, respectively. Our effective tax rates may change from year to year due to the availability or expiration of any preferential tax treatments. We cannot assure you that the PRC policies with respect to the preferential tax treatments we currently enjoy would not be unfavourably changed, or that the approval for such preferential tax treatments would be granted to us in a timely manner, or at all.

In addition, as a High-tech Enterprise, we enjoy certain favourable regulatory treatments, particularly government grants, which are offered by relevant government authorities. For FY2016, FY2017, FY2018 and 4M2019, we recognised government grants of approximately RMB2.0 million, RMB1.4 million, RMB2.6 million and RMB2.2 million in our consolidated statements of profit or loss, respectively. For details, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Other income and gains" in this document. However, it is in the relevant government authorities' sole and absolute discretion, subject to relevant PRC laws, regulations and policies, to determine whether and when to provide government grants to us, if at all. We cannot assure you that we will be able to receive government grants in the future.

The termination or expiration of our preferential tax treatments or the imposition of additional taxes on us may lead to an increase in our expenses, and the unavailability or reduction in the amount of government grants or other favourable treatments received by us may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results

Valuations of our property interests as at 30 June 2019 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, are set out in the property valuation report in Appendix III to this document. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ from actual results. Some of the key assumptions include:

- our properties were sold on the market without the benefit of deferred term contracts, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the property interests;
- no allowance had been made for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale; and
- our properties were free from encumbrances, restrictions and outgoings of an onerous nature.

Accordingly, these valuations are not a prediction of the actual value expected to be achieved by us. Unanticipated results of, or changes in, general or local economic conditions or other relevant factors could affect such valuations.

We may not successfully mitigate our exposure to foreign exchange risks through forward currency contracts

During the Track Record Period, we entered into forward currency contracts to mitigate our exposures to risks relating to the fluctuations of exchange rates of Renminbi against the U.S. dollar. These forward currency contracts are not for hedging purposes. According to the terms of such forward currency contracts, we are obliged to buy a certain amount of U.S. dollars from the bank based on the exchange rates of Renminbi against U.S. dollar specified in each forward currency contract, which may be lower or higher than the exchange rates of Renminbi against U.S. dollar at the time when such forward currency contracts were executed. For FY2016, we recognised approximately RMB1.7 million of fair value gains on such forward currency contracts. For FY2017, FY2018 and 4M2019, we recognised approximately RMB2.5 million, RMB0.6 million and RMB0.4 million of fair value loss on such forward currency contracts, respectively.

There is no assurance we may successfully mitigate our exposure to foreign currency fluctuation risks through these forward currency contracts in the future. In addition, we may incur loss on these forward currency contracts in the future if the exchange rates of Renminbi against U.S. dollar move in a different direction than we expected, which may in turn adversely affect our cash flows and financial position.

If we hold derivative financial instruments in the future, such derivative financial instruments may materially and adversely affect our financial condition and results of operations

As at 31 December 2016, we held derivative financial assets of approximately RMB0.9 million, and as at 31 December 2017 and 31 December 2018, we held derivative financial liabilities of approximately RMB0.8 million and RMB0.1 million, respectively. We cannot negate the possibility that we will continue to hold derivative financial instruments in the future to hedge any significant financial risks when the need arises.

According to HKFRS 9 and our Group's accounting policies, derivative financial instruments are remeasured at fair value at the end of each reporting period, and the resulting gain or loss on fair value is recognised in profit or loss immediately. As a result, if we continue to hold derivative financial instruments in the future, the recognition of gain or loss from derivative financial instruments may cause significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations. For details of our accounting policy on derivative financial instruments, please refer to Note 2.4 of the Accountants' Report.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

We are vulnerable to adverse changes in economic, political and social conditions and government policies in China

Substantially all of our operations and all of our assets are located in China. Accordingly, our financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in China. The PRC economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, investment control, resource allocation, growth rate and control over foreign exchange. Before its adoption of reform and open-door policies beginning in 1978, China was primarily a planned economy. Since then, the PRC economy has been transferring into a market economy with socialist characteristics.

For approximately four decades, the PRC Government has implemented economic reform measures to utilise market forces in the PRC economy. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may lead to further readjustment or introduction of other reform measures. This reform process and any changes in laws and regulations or the interpretation or implementation thereof in China may have a material impact on our operations or may adversely affect our financial condition and results of operations.

While the PRC economy has grown significantly in the past 40 years, this growth has been geographically uneven among various sectors of the economy and during different periods. We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may have a negative effect on our business. In the past, the PRC Government has periodically implemented a number of measures intended to slow down certain segments of the economy, which the PRC Government believed were exhibiting exuberant market behaviour. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC Government to guide economic growth and the allocation of resources will be

effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may materially and adversely affect us if they reduce demand for our products.

Uncertainties with respect to the PRC legal system could limit the legal protection available to you

The legal system in China has inherent uncertainties that could limit the legal protection available to our Shareholders. As substantially all of our business operations are conducted in China, we are principally governed by PRC laws, rules and regulations. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their interpretation by the Supreme People's Court (最高人民法院), while prior legal decisions and judgments have limited significance for guidance. The PRC Government has been developing a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters, such as corporate organisation and governance, foreign investments, commerce, taxation and trade.

However, many of these laws and regulations are relatively new, and because of the limited volume of published decisions, their implementation and interpretation involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have retroactive effect. As a result, we may not be aware of any violation of these policies and rules until some time after such violation has occurred. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and result in substantial costs and diversion of resources and management attention.

You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our Directors or senior management residing in China

Our Company was incorporated in the Cayman Islands. All of our assets are located in China and all of our Directors and senior management reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible.

In addition, on 14 July 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"). Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole

jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

On 18 January 2019, the Supreme People's Court of the PRC and Department of Justice of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). The 2019 Arrangement sets forth the scope, applicable rulings, procedures and manners to apply for recognition and enforcement examination on jurisdiction of the original court, conditions to refuse to recognise and enforce, and remedies of reciprocal recognition and enforcement of judgments in civil and commercial matters. Following the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant procedures in Hong Kong, both sides shall announce a date on which the 2019 Arrangement shall become effective. The 2019 Arrangement shall apply to judgments made by a PRC or Hong Kong court on or after the effective date. When the 2019 Arrangement becomes effective, the Arrangement shall be terminated. However, the Arrangement remains applicable to a choice of court agreement in writing within the meaning of the Arrangement and signed before the effective date of the 2019 Arrangement.

Therefore, although the 2019 Arrangement has been signed, it remains unclear when such agreement will come into effect and effectiveness and outcome of any action brought under the 2019 Arrangement may still be uncertain.

The PRC Government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares

Currently, the Renminbi cannot be freely converted into any foreign currency, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There can be no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require prior approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

Under existing foreign exchange regulations, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there can be no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue to be in force in the future. In addition, any insufficiency of foreign currencies for us may restrict our ability to obtain sufficient foreign currencies for dividend payments to our Shareholders or satisfy any other foreign exchange requirements.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our global income

Pursuant to the EIT Law, which came into effect on 1 January 2008 and was last amended on 29 December 2018, an enterprise established outside China whose "de facto management body" is located in China is considered a "PRC resident enterprise" and will generally be subject to the uniform EIT rate, or EIT rate, of 25% on its global income. Under the implementation rules of the EIT Law, "de facto management body" is defined as the organisational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On 22 April 2009, SAT released the Notice on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as PRC Tax Resident Enterprises on the Basis of Their Body of Actual Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) ("**Circular 82**"), which sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following are present: (i) the senior management and core management departments in charge of daily business operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. In addition, Circular 82 also requires that the determination of "de facto management body" shall be governed by the principle that substance is more important than form. Further to Circular 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (境外註冊中資控股居民企業所得税管理辦法(試行)) ("**Bulletin 45**"), which took effect on 1 September 2011, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises, which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general. If we are treated as a PRC resident enterprise, the EIT rate of 25% on our global taxable income may materially and adversely affect our financial position and results of operations.

You may be subject to PRC income tax on dividends from us or on any gain realised on the transfer of our Shares under PRC law

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of shares by such investors is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides.

Under the PRC Individual Income Tax Law (中華人民共和國個人所得稅法) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% whilst gains from PRC sources realised by such investors on the transfer of shares are generally subject to a 20% PRC income tax, and in each case, such dividends or gains are subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

Although substantially all of our business operations are conducted in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realised from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC Government, including restrictions on our PRC subsidiary's ability to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiary

SAFE promulgated Circular 37 in July 2014, which abolished and superseded the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round Trip Investment via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). Pursuant to Circular 37 and its implementation rules, PRC residents, including PRC institutions and individuals, must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle ("**SPV**"), directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through SPVs. Such PRC residents are also required to amend their registrations with SAFE when there is a change to the required information of the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other required information, or the PRC individual resident's increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with Circular 13, the foreign exchange registration aforesaid has been directly reviewed and handled by banks since 1 June 2015, and SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC subsidiary, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

We are committed to complying with and ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to penalties or sanctions imposed by the PRC Government. However, we

may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to compel our Shareholders to comply with the requirements of Circular 37. Moreover, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in China

A number of PRC laws and regulations, including the M&A Provisions, the Anti-Monopoly Law (反壟斷法), and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) promulgated by MOFCOM on 25 August 2011 and effective from 1 September 2011 (the "**Security Review Rules**"), have established procedures and requirements that are expected to make the review of certain merger and acquisition activities by foreign investors in China more time consuming and complex. These include requirements in some instances to notify MOFCOM in advance of any transaction in which foreign investors take control of a PRC domestic enterprise, or to obtain approval from MOFCOM before overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control or security review.

The Security Review Rules were formulated to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知), which was promulgated in 2011. Under these rules, a security review is required for mergers and acquisitions of domestic enterprises by foreign investors involved in the military industry, enterprises located near key and sensitive military facilities and other units related to national defence and security or by which foreign investors may acquire "de facto control" of domestic enterprises that implicate "national defence and security" or "national security" concerns. For example, these may be enterprises involved in key agricultural products, key energy and resources, vital infrastructure, important transportation services, core technologies and significant equipment manufacturing. In addition, when deciding whether a specific merger or acquisition is subject to the security review, MOFCOM will look into the substance and actual impact of the transaction.

The Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defence and security" or "national security" concerns. As there is a lack of clear statutory interpretation on the implementation of the Security Review Rules, there can be no assurance that MOFCOM will not apply these national security review-related rules to the acquisition of equity interest in our PRC subsidiary. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to the merger and acquisition activities in China, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations, including levying fines, confiscating our income, revoking our PRC subsidiary's business and operating licences, requiring us to restructure or unwind the relevant ownership structure or business operations. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our

business, financial condition and results of operations. Furthermore, if the business of any target company we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

We rely on dividends paid by our PRC subsidiary for our cash needs, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business operations

We conduct substantially all of our business operations through Zhiyuan New Material, our PRC subsidiary. Therefore, we rely on the dividends received from our PRC subsidiary for funds necessary to pay dividends to our Shareholders. PRC regulations currently permit dividends to be paid only out of distributable profits determined in accordance with the PRC GAAP. Our PRC subsidiary is required to set aside at least 10% of its after-tax profit calculated based on the PRC GAAP to its general reserve fund, until the aggregate amount of such reserve reaches 50% of its registered capital. This statutory reserve is unavailable for distribution as loans, advances, or cash dividends. We expect that such limitations on the ability of our PRC subsidiary to transfer funds to us may in turn materially and adversely restrict our ability to pay dividends to our Shareholders or otherwise fund and conduct our business operations. Additional limitations may include, but are not limited to, restrictive covenants in debt instruments and withholding tax.

Current PRC regulations of loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiary

Any loans or capital contributions that we, as an offshore entity, make to our PRC subsidiary are subject to PRC regulations. For example, pursuant to the Notice of People's Bank of China on Matters Concerning Macro-prudential Management on All-round Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) promulgated by PBOC on 11 January 2017 and effective from the same day, any overseas loan to our PRC subsidiary cannot exceed its upper limit of the risk-weighted balance for cross-border financing, which shall be calculated by its capital or net assets, the leverage rate of cross-border financing and the macro-prudential adjustment parameters. Such loans must be registered or filed on record. We cannot assure you that we will be able to complete the required registration and filing procedures in a timely manner or at all, with respect to future loans or capital contributions that we may make to our PRC subsidiary. Failure to do so may negatively affect our ability to use the **[REDACTED]** of the **[REDACTED]** and to fund our business operations, which would in turn materially and adversely affect our liquidity and ability to expand our business.

Inflation in China could negatively affect our profitability and growth

Economic growth in China has, in the past, been accompanied by periods of high inflation. In response, the PRC Government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. While inflation has eased recently in China, the PRC Government may take similar measures in response

to future inflationary pressures. Rampant inflation without the PRC Government's mitigation policies would likely increase our costs of production and sales, thereby materially reducing our profitability. There is no assurance that we will be able to pass any additional costs on to our customers. On the other hand, such control measures may also lead to slower economic activity and we may see reduced demand for our products and services.

The national and regional economies in China and our business may be adversely affected by factors beyond our control such as natural disasters, acts of war or terrorism and epidemics

Our business is subject to general economic and social conditions in China. Certain factors beyond our control may adversely affect the economy, infrastructure and livelihood of people in the region where we conduct our business operations. Some regions in China may be susceptible to the threat of natural disasters, potential wars, terrorist attacks or epidemics such as Ebola, Severe Acute Respiratory Syndrome (SARS), H1N1 influenza, H5N1 influenza, H7N9 influenza and H3N2 influenza. Serious natural disasters and acts of war or terrorism may result in, among others, power shortages or failures, loss of life, injuries, destruction of assets and disruption of our business operations. Severe communicable disease outbreaks may cause a widespread health crisis that materially and adversely affects economic systems and financial markets. Any of these factors and others beyond our control could have an adverse effect on the overall business sentiment and environment, create uncertainties in the region where we conduct our business operations, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and there can be no assurance that an active market would develop

Prior to the **[REDACTED]**, there has been no public market for our Shares. The initial **[REDACTED]** range for our Shares was the result of negotiations among us and the [**[REDACTED]**] for itself and on behalf of the **[REDACTED]** and the **[REDACTED]** may differ significantly from the market price for our Shares following the **[REDACTED]**. We have applied to **[REDACTED]** in our Shares on the Stock Exchange. There is no assurance that the **[REDACTED]** will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

Fluctuations in exchange rates may have a material and adverse impact on your investment

The exchange rate of the Renminbi fluctuates against the Hong Kong dollar, U.S. dollar and other foreign currencies and is affected by, among other factors, the policies of the PRC Government and changes in international and domestic political and economic conditions. As a result of the historical and any further changes in currency, the exchange rate may be volatile, and it is difficult to predict how market forces and the PRC Government's policies will continue to impact Renminbi exchange rates going forward. The Renminbi may appreciate or depreciate significantly in value against the Hong Kong dollar, U.S. dollar or other foreign currencies in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into full float,

which may also result in significant appreciation or depreciation of the Renminbi against the Hong Kong dollar, U.S. dollar or other foreign currencies. The Hong Kong dollar is currently pegged to the U.S. dollar.

The fluctuations in exchange rates of the Renminbi against the Hong Kong dollar, U.S. dollar and other foreign currencies may depreciate the value of your investment. For example, significant appreciation of the Renminbi against the Hong Kong dollar could reduce the amount of Renminbi received from converting the **[REDACTED]** from **[REDACTED]** or future financing efforts to fund our operations, thereby materially and adversely affecting our profitability. On the other hand, significant depreciation of the Renminbi may increase the cost of converting our Renminbi-denominated cash flow into Hong Kong dollars, thereby reducing the amount of any cash dividends payable to our Shareholders.

The liquidity, trading volume and market price of our Shares following the [REDACTED] may be volatile

The price at which our Shares will trade after the **[REDACTED]** will be determined by the market, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- fluctuations in the market prices of our products;
- announcements of new technologies;
- changes in **[REDACTED]** analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we operate and compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- industrial or environmental accidents, litigation or loss of key personnel suffered by us;
- general market sentiment regarding the PRC tantalum and niobium metallurgy industry;
- our inability to compete effectively in the market;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- changes in laws and regulations in China; and
- political, economic, financial and social developments in China and worldwide.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, **[REDACTED]** in our Shares may experience volatility in the **[REDACTED]** of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

As the initial [REDACTED] per Share is higher than the net tangible book value per Share, purchasers of our Shares in the [REDACTED] will experience immediate dilution

The **[REDACTED]** of our **[REDACTED]** is higher than the net tangible book value per Share immediately prior to the **[REDACTED]**. Therefore, purchasers of our **[REDACTED]** in the **[REDACTED]** will experience an immediate dilution in pro forma adjusted and consolidated net tangible asset value of **[REDACTED]** per Share and **[REDACTED]** per Share, respectively, assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]** and **[REDACTED]** per **[REDACTED]**, respectively, and existing Shareholders will receive an **[REDACTED]** in the pro forma adjusted and consolidated net tangible asset value per Share of their Shares. If we issue additional Shares in the future, purchasers of our **[REDACTED]** may experience further dilution.

Substantial future sales or the expectation of substantial sale of our Shares in the public market could cause the **[REDACTED]** of our Shares to decline

Sale of substantial amounts of Shares in the public market after completion of the **[REDACTED]**, or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be **[REDACTED]** in issue immediately following the **[REDACTED]**, assuming the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued upon exercise of any share options granted under the Share Option Scheme. Our Controlling Shareholders agreed that any Shares held by them will be subject to a **[REDACTED]** after **[REDACTED]**. For details, please refer to the paragraph headed "**[REDACTED]** — **[REDACTED]** arrangements and expenses" in this document. However, the **[REDACTED]** may release these **[REDACTED]** from these restrictions at any time and such Shares will be freely tradable after the expiry of the **[REDACTED]** period.

Our Controlling Shareholders have substantial influence over our Company and their respective interests may not be aligned with the interests of Shareholders who subscribe for Shares in the [REDACTED]

Immediately following completion of the Capitalisation Issue and the **[REDACTED]**, assuming the **[REDACTED]** is not exercised and without taking into account any Shares, which may be issued upon exercise of any share options, which may be granted under the Share Option Scheme, our Controlling Shareholders will directly and indirectly own an aggregate of **[REDACTED]** of our Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interest of our other Shareholders, the interests of our other Shareholders may be disadvantaged or harmed.

Since there will be a gap of several days between [REDACTED] and [REDACTED] of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before [REDACTED] of our Shares begins

The **[REDACTED]** is expected to be determined on the **[REDACTED]**. However, our Shares will not commence **[REDACTED]** on the Stock Exchange until they are delivered, which is expected to be a short period after the **[REDACTED]**. As a result, investors may not be able to **[REDACTED]** in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the **[REDACTED]** of our Shares could fall before **[REDACTED]** begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them

Our management may spend the **[REDACTED]** from the **[REDACTED]** in ways you may not agree with or that do not yield a favourable return to our Shareholders. We plan to use the **[REDACTED]** from the **[REDACTED]** to expand our business, improve our financing structure and fund our working capital and general corporate purpose. For details, please refer to the paragraph headed "Future Plans and **[REDACTED]**" in this document. However, our management will have discretion as to the actual application of our **[REDACTED]**. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the **[REDACTED]** from the **[REDACTED]**.

We cannot guarantee the accuracy of facts and other statistics with respect to certain information relating to the tantalum and niobium metallurgy industry contained in this document

Certain facts and statistics relating to the tantalum and niobium metallurgy industry are contained in this document. We cannot, however, guarantee the quality or reliability of such facts and statistics. Such information and statistics have not been independently verified by us, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any other party involved in the **[REDACTED]** and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate", "believe", "could", "going forward", "intend", "plan", "project", "seek", "expect", "may", "might", "ought to", "should", "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend to update or

otherwise revise the forward-looking statements in this document to the public, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You may face difficulties in protecting your interests under the laws of the Cayman Islands

Our corporate affairs are governed by, among other things, our Memorandum and Articles, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions.

You should read this document in its entirety carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED]

There may be, subsequent to the date of this document but prior to the completion of the **[REDACTED]**, press and media coverage regarding us and the **[REDACTED]**, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. We have not authorised the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. To the extent such information is inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the **[REDACTED]** and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the **[REDACTED]** or us. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our **[REDACTED]**. By applying to purchase our Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the **[REDACTED]**.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for **[REDACTED]**, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Waiver from strict compliance with Rule 8.12 of the Listing Rules

An application has been submitted to the Stock Exchange for a waiver from strict compliance with Rule 8.12 of the Listing Rules which requires a new applicant applying for primary **[REDACTED]** on the **[REDACTED]** to have sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since the principal business operation and production facilities of our Group are located in the PRC, our senior management team is and will continue to be based in the PRC. At present, all of the executive Directors are not ordinarily resident in Hong Kong. Further, our Directors consider that it would be practically difficult and not commercially feasible for our Company to appoint Hong Kong residents as executive Directors or to relocate any of the existing executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules. Accordingly, we do not and, in the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirement under Rule 8.12 of the Listing Rules.

In this regard, the Stock Exchange [has granted] a waiver to our Company from strict compliance with the requirement under Rule 8.12 of the Listing Rules. In this respect, our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely, Ms. Wu Shandan, an executive Director, and Mr. Chan Hon Wan, our company secretary, who will act as our principal channel of communication with the Stock Exchange. Mr. Chan Hon Wan is a Hong Kong permanent resident and Ms. Wu Shandan possesses valid travel documents to visit Hong Kong. Each of the authorised representatives of our Company has confirmed that each of them will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail and that each of them has the means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. Each of them is authorised to communicate on behalf of our Company with the Stock Exchange.

Each of our executive Directors who is not ordinarily resident in Hong Kong has also confirmed that he/she possesses valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time when required. Each Director has provided his/her mobile phone number, office phone number, email address and fax number to the authorised representatives and the Stock Exchange.

In addition, our Company has appointed a compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the **[REDACTED]** and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the **[REDACTED]**. The compliance adviser will act as an additional channel of communication with the Stock Exchange.

Furthermore, our Company shall also appoint other professional advisers (including legal advisers and accountants) after **[REDACTED]** to assist our Company in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be efficient communication with the Stock Exchange.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Wu Lijue (吳理覺) *(Chairman and chief executive officer)*	Room 1201, Unit 1, Building 2 No. 6 Xinghewan Panyu District, Guangzhou City Guangdong Province PRC	Chinese
Wu Shandan (吳珊丹) *(Chief financial officer)*	Room 404, Unit 4, Building G28 Area 2E, No. 39 Jicheng Street Lingnan New World Baiyun Avenue North Baiyun District, Guangzhou City Guangdong Province PRC	Chinese
Non-executive Director		
Zeng Min (曾敏)	No. 43, Building 2 New Daqing Village, Shuyuan Road Yuetang District, Xiangtan City Hunan Province PRC	Chinese
Independent non-executive Directors		
Lau Kwok Fai Patrick (劉國煇)	Flat B, 33rd Floor Tower 1B 23 Sung On Street Upper East, Hung Hom Kowloon Hong Kong	Chinese
Zhong Hui (鐘暉)	Room 1102, Building 6 Tongtai Meilingyuan South Gate, Central South University Railway Campus Furong South Road Tianxin District, Changsha City Hunan Province PRC	Chinese
Yin Fusheng (尹福生)	Room 104, Building 11 Minghuyuan, Jinan University No. 601 Huangpu Avenue West Tianhe District, Guangzhou City Guangdong Province PRC	Chinese

For further information about our Directors, please refer to the section headed "Directors and Senior Management" in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

Cinda International Capital Limited
a licenced corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities for the purpose of SFO
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

[REDACTED]

Legal advisers to our Company

As to Hong Kong law:

Chiu & Partners
Solicitors, Hong Kong
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

Mr. Dixon Y. T. Co
Barrister-at-law in Hong Kong
Room 1406
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

As to PRC law:

King & Wood Mallesons
Registered law firm in the PRC
28th Floor, China Resources Tower
2666 Keyuan South Road
Nanshan District
Shenzhen, Guangdong
China

As to Cayman Islands law:

Conyers Dill & Pearman
Attorneys-at-law, Cayman Islands
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to U.S. law and International Sanctions law:

Hogan Lovells
11th Floor, One Pacific Place
88 Queensway
Hong Kong

As to EU law:

Stibbe CVBA/SCRL
Central Plaza
Rue de Loxum 25/Loksumstraat 25
1000 Brussels
Belgium

Legal advisers to the Sole Sponsor and the [REDACTED]

As to Hong Kong law:

ONC Lawyers
Solicitors, Hong Kong
19th Floor, Three Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:

Beijing DHH Law Firm
Registered law firm in the PRC
12th Floor, Tower C, Yintai Centre
No.2 Jianguomenwai Street
Chaoyang District
Beijing
China

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Auditor and reporting accountant	**Ernst & Young** *Certified Public Accountants* 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Property valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7th Floor, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Industry consultant	**China Insights Consultancy Limited** 10th Floor, Tomorrow Square 399 West Nanjing Road Huangpu District Shanghai PRC
Tax adviser	**Ernst & Young Tax Services Limited** 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Compliance adviser	**Cinda International Capital Limited** 45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	Hongqiao Village, Qiaotou Town Yingde City Guangdong Province PRC
Principal place of business in Hong Kong	Workshop E, 7th Floor Derrick Industrial Building No. 49 Wong Chuk Hang Road Hong Kong
Company's website	**www.zhiyuanm.com** *(the information contained in this website does not form part of this document)*
Company secretary	**Mr. Chan Hon Wan (陳漢雲)**, *HKICPA* Flat B, 27th Floor, Block 9 Tung Chung Crescent 2 Mei Tung Street, Tung Chung Lantau, New Territories Hong Kong
Authorised representatives	**Ms. Wu Shandan (吳珊丹)** Room 404, Unit 4, Building G28 Area 2E, No. 39 Jicheng Street Lingnan New World Baiyun Avenue North Baiyun District, Guangzhou City Guangdong Province PRC **Mr. Chan Hon Wan (陳漢雲)** Flat B, 27th Floor, Block 9 Tung Chung Crescent 2 Mei Tung Street, Tung Chung Lantau, New Territories Hong Kong
Audit committee	Mr. Lau Kwok Fai Patrick (劉國煇) *(chairman)* Mr. Yin Fusheng (尹福生) Mr. Zhong Hui (鐘暉)

CORPORATE INFORMATION

Nomination committee

Mr. Wu Lijue (吳理覺) *(chairman)*
Mr. Yin Fusheng (尹福生)
Mr. Zhong Hui (鐘暉)

Remuneration committee

Mr. Yin Fusheng (尹福生) *(chairman)*
Mr. Zhong Hui (鐘暉)
Mr. Lau Kwok Fai Patrick (劉國煇)

[REDACTED]

Principal bankers

Industrial and Commercial Bank of China Limited
Fogang Sub-branch
No. 120, Middle Zhenxing Road
Fogang County, Qingyuan City
Guangdong Province
PRC

Bank of China Qingyuan Branch
No. 2, Beijiang Road, Xincheng
Qingyuan City
Guangdong Province
PRC

INDUSTRY OVERVIEW

*The information presented in this section has not been independently verified by us, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, any of their respective directors, officers, representatives, employees, agents or professional advisers or any other person or party involved in the **[REDACTED]**. We, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, any of their respective directors, officers, representatives, employees, agents or professional advisers or any other person or party involved in the **[REDACTED]** make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.*

SOURCE OF INFORMATION

We commissioned CIC, an independent market research consulting firm, to conduct a detailed analysis of and prepare a report on the PRC tantalum and niobium metallurgy industry for the period from 2014 to 2023. We agreed to pay CIC a total fee of RMB905,000, which we believe reflects the market rate. CIC is a consulting company established in Hong Kong. Its services include industry consulting, commercial due diligence and strategy consulting. Its consultant team has been tracking the latest market trends in industrial, energy, chemical, healthcare, consumer goods, transportation, agriculture, internet and finance industries and has extensive experience in, and in-depth market knowledge of, the abovementioned industries.

CIC undertook both primary and secondary research through various resources. Primary research involved interviewing key industry experts and leading industry participants in the PRC tantalum and niobium metallurgy industry. Secondary research involved analysing data from various publicly available data sources, including PRC Government's press releases, company reports, independent research reports and CIC's internal database.

In compiling and preparing the CIC Report, CIC has adopted the following assumptions: (i) PRC economic and industrial development is expected to maintain a steady growth rate in the next decade; (ii) related key industry drivers are expected to drive the growth of the PRC tantalum and niobium metallurgy industry in the forecast period, including growing demand from downstream industries, steady development of metallurgical technology, and recovering overseas markets; and (iii) there are no extreme force majeure events or introduction of industry regulations that will affect the market dramatically or fundamentally.

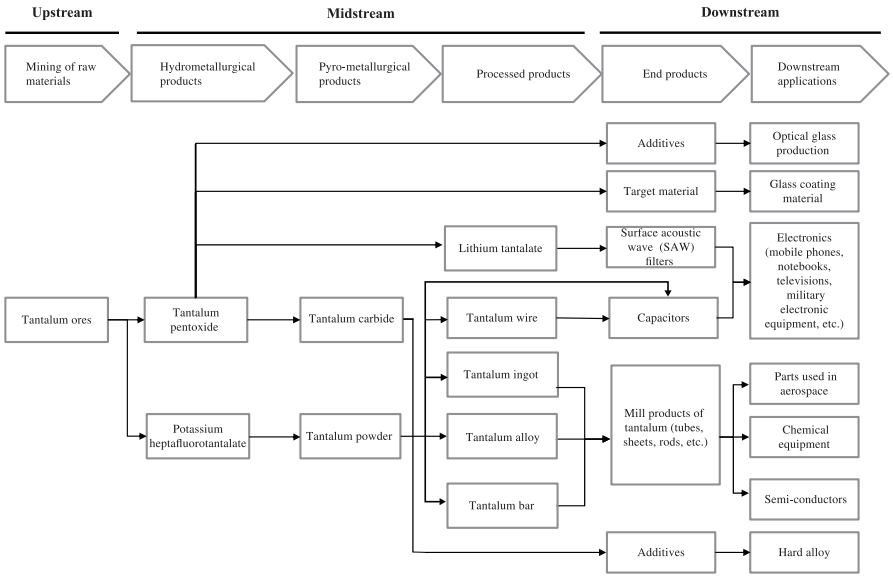
Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report. Our Directors confirm that, as at the Latest Practicable Date, after taking reasonable care, there had been no adverse change in the market information since the date of the CIC Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE GLOBAL AND PRC TANTALUM AND NIOBIUM METALLURGY INDUSTRIES

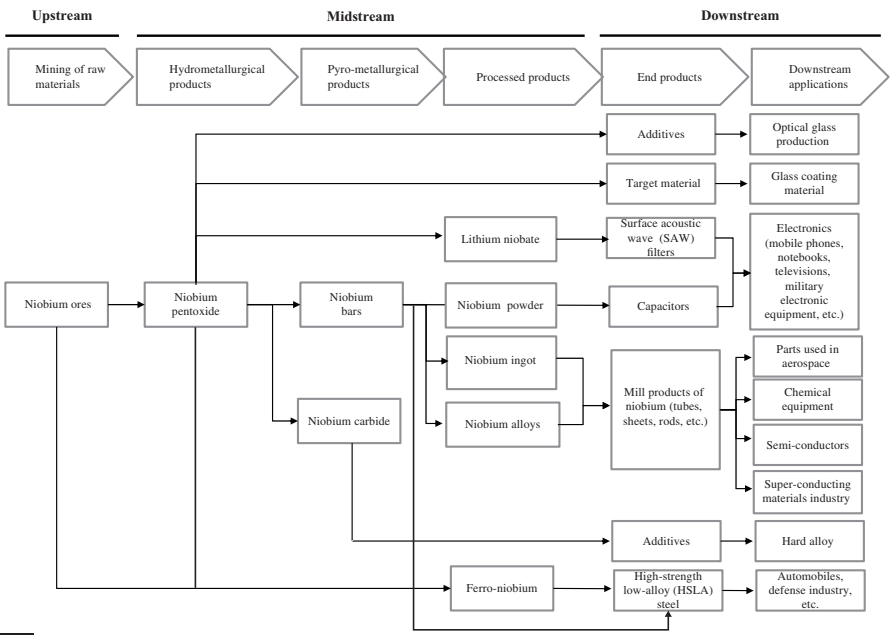
The tantalum and niobium metallurgy industry refers to the manufacturing of tantalum- and niobium-based metallurgical products from tantalum ores and niobium ores. Tantalum, a silvery, dense, ductile solid at room temperature, is a corrosion-resistant rare metal with high thermal and electrical conductivity. Niobium, a soft, silvery, ductile solid at room temperature, is a corrosion-resistant rare metal with high melting point. Tantalum and niobium are similar to each other in terms of physical properties and often co-exist in the same minerals.

Value Chain for the Global and PRC Tantalum and Niobium Metallurgy Industries

Typical tantalum-based products along the industry value chain:



Typical niobium-based products along the industry value chain:



Source: CIC

Tantalum and niobium often co-exist in ores in the forms of tantalum pentoxide and niobium pentoxide. Tantalum and niobium share some similar physical and chemical properties, and therefore have some overlapping downstream applications. The distinct applications of tantalum or niobium are due to some key differences in their characteristics. For example, tantalum is more widely used than niobium for production of high-performance capacitors due to its better electronic characteristics.

Tantalum ores and niobium ores are the principal raw materials for the production of pentoxide products including tantalum pentoxide (Ta_2O_5) and niobium pentoxide (Nb_2O_5), and potassium heptafluorotantalate (K_2TaF_7). These products are also referred to as hydrometallurgical ("濕法冶金") products due to the metallurgical procedures involved in their production process. Tantalum pentoxide,

niobium pentoxide and potassium heptafluorotantalate can be further processed into pyro-metallurgical ("火法冶金") products due to the metallurgical procedures involved in their production process, including, among others, tantalum powder, tantalum carbide, niobium bars and niobium carbide. Pyro-metallurgical products can then be further processed into tantalum- and niobium-based processed products, including, among others, tantalum bars, niobium powder, niobium ingots, tantalum and niobium metal materials, alloys, and other industrial products.

Tantalum- and niobium-based metallurgical and processed products are essential in the downstream manufacture of various products used in high-tech industries, such as special alloys, chemical, electronic ceramics, aeronautics, aerospace, high-end electronics, defence and hard alloy. The relevant end products include electronic components, high-strength low-alloy steel, mobile phone lenses, camera lenses, artificial bones, high speed trains, aircraft carriers, optical glass, optical coating films and target materials.

Tantalum pentoxide and niobium pentoxide are widely used in a variety of downstream industries including (i) the high-end electronics industry for (a) high-performance glass used in camera lenses of mobile phones; (b) high-class capacitors and surface acoustic wave (SAW) filters used in valuable consumer electronics such as mobile phones; and (c) sputtering targets used in high-end integrated circuits (IC); (ii) the super-conducting materials industry for the manufacture of super-conducting magnetic coils used in magnetic resonance imaging (MRI) devices; (iii) the chemical industry for the manufacture of erosion-resistant materials used in a variety of infrastructure components, such as pipelines; and (iv) the steel industry for the manufacture of high-strength low-alloy steel products used in automobiles and defence equipment. All these industries have experienced and are expected to experience rapid growth from 2014 to 2023.

History and Development Trends of the Global and PRC Tantalum and Niobium Metallurgy Industries

The global tantalum and niobium metallurgy industry entered the industrial mass production stage in the 1950s when the PRC tantalum and niobium metallurgy industry was formed. The global and PRC tantalum and niobium metallurgy industries have both experienced rapid expansion since 1991.

Within the global tantalum and niobium supply chain, African countries and Brazil supply ores to metallurgy companies in China, Germany, U.S., Thailand, and a few other countries for further production. China is the major exporter of tantalum- and niobium-based metallurgical products to the developed countries due to the fact that leading manufacturers of high-end tantalum- and niobium-based end products such as capacitors, special alloys used in aerospace and SAWs, are located in developed countries. The tables below set forth the import volume and value of tantalum and niobium ores from overseas countries by China between 2016 and 2018, and the export volume and value of tantalum- and niobium-based products from China during the same period:

Import Volume and Value of Tantalum and Niobium Ores in China

	HS code for global trade	Headings for the HS code	For the Year Ended 31 December						Major origins of ores in 2018 (in terms of weight)
			2016	2017	2018	2016	2017	2018	
			Import volume			Import value			
			tonnes			USD million			
Tantalum and niobium ores	26159090	Niobium, tantalum concentrates and ores	7,428.7	7,275.3	7,222.3	121.2	144.3	185.2	Nigeria (51.5%) Brazil (13.8%) Rwanda (8.5%)

Export Volume and Value of Major Tantalum- and Niobium-based Products in China

Product categories	HS code for global trade	Headings for the HS code	For the Year Ended 31 December						Major export destinations in 2018 (in terms of weight)
			2016	2017	2018	2016	2017	2018	
			Export volume			Export value			
			tonnes			USD million			
Tantalum-based products	81032011	Tantalum powder, loose density less than 2.2 grams per cubic centimetre	123.3	126.1	155.7	41.4	46.3	66.7	United States (43.3%) Germany (42.0%)
	81032019	Other powder of tantalum	33.4	24.5	27.3	9.5	7.4	10.7	United States (66.5%) Malaysia (12.8%)
	81032090	Other unwrought tantalum, including bars and rods obtained simply by sintering	0.2	1.7	0.6	0.05	0.5	0.3	Austria (95.9%)
	81039011	Wire of tantalum, less than 0.5mm in diameter	47.8	47.0	63.4	20.1	18.6	29.5	Indonesia (30.1%) United states (23.1%) Austria (16.5%)
	81039019	Other wire of tantalum	1.7	2.5	1.0	0.9	1.3	0.6	Japan (28.3%) United States (23.0%) South Korea (11.1%)
	81039090	Other wrought tantalum and articles thereof, and tantalum crucible with tantalum ingot, bars, plate and other wrought products included	247.7	325.5	237.8	78.7	101.3	97.9	United States (63.7%) Hong Kong (10.1%)
	853221	tantalum capacitors	418.6	473.2	120.8	164.4	194.7	55.1	Hong Kong (48.6%)
Niobium-based products	81129940	Wrought niobium and articles thereof	125.6	175.0	130.4	20.5	27.1	28.6	Finland (34.9%) United States (18.7%)
	81129240	Unwrought niobium and its powder, and unwrought niobium waste and scrap	95.4	146.4	118.4	5.0	9.1	8.8	United States (45.0%) Japan (35.4%)

Source: General Administration of Customs PRC, http://www.haiguan.info/, CIC

Note: Tantalum- and niobium-based hydrometallurgical products are categorised into HS codes which include a number of other metallic compounds (codes including 28259090 "other metal oxides and hydroxides" and 28269090 "fluoroaluminate, other fluorine complex salt"), and the data for tantalum- and niobium-based hydrometallurgical products exclusive of other products is currently unavailable.

Global cooperation in the tantalum and niobium industry

	Mining	Hydrometallurgical production	Pyro-metallurgical production	Processing and production of key end products	End applications
Tantalum value chain	**African countries** Over 70% of tantalum ores is produced and supplied by African countries including the Democratic Republic of the Congo, Rwanda, Nigeria, Sierra Leone, etc.	**China Brazil Thailand Germany U.S.** Chinese hydrometallurgical companies contribute over 75% of global shipment of primary products to the downstream in 2017, making China the largest producer and seller of primary products	China Germany U.S.	**U.S. European countries (such as Germany, the United Kingdom and France) Japan Korea China**	**U.S. European countries (such as Germany, the United Kingdom and France) Japan Korea China**
Niobium value chain	**Brazil** Brazil contributes over 90% of total niobium supply in terms of niobium weight, and over 90% of its niobium output is produced into ferroniobium; the rest is supplied to metallurgical and processing companies				

The market size of the global tantalum and niobium metallurgy industry is normally measured by the production volume of tantalum- and niobium-based hydrometallurgical products, as these products are the direct output produced from the raw materials and input into the downstream metallurgical and processing production, thus offering a consistent calculation basis that is not influenced by various concentration levels of tantalum and niobium in the pyro-metallurgical and processed products.

According to CIC, the global production volume of tantalum- and niobium-based hydrometallurgical products grew from approximately 4,521.3 tonnes in 2014 to 7,397.9 tonnes in 2018, and is expected to increase to 9,469.9 tonnes in 2023, representing a CAGR of 5.1%. Of the global production volume, approximately 63.7% of the production volume in 2018 was for external sales while the rest was for in-house consumption, as it is quite common for the industry-leading companies to operate in several segments along the value chain, and rely heavily upon their in-house production of tantalum- and niobium-based hydrometallurgical products to support the further production of pyro-metallurgical and processed products, which in turn enables them to have higher control of the whole value chain.

In contrast to overseas markets, there are approximately 15 metallurgy companies in China which are in the business of selling tantalum- and niobium-based hydrometallurgical products to external clients both in domestic market and overseas market in 2018, and the overall tantalum and niobium value chain in the Chinese market has not been vertically integrated to a high extent. The Chinese tantalum and niobium metallurgy companies have not been much vertically-integrated due to the fact that only a limited number of enterprises have developed both hydrometallurgical and pyro-metallurgical techniques. Most of the tantalum- and niobium-based metallurgy companies in China are currently private companies which in general have a shorter history, and they focus on producing either tantalum- and niobium-based hydrometallurgical or pyro-metallurgical products.

The total production volume of tantalum- and niobium-based hydrometallurgical products in China increased from approximately 2,462.6 tonnes in 2014 to 4,336.6 tonnes in 2018, and is expected to reach 6,168.9 tonnes in 2023 presenting a CAGR of 7.3%. Within this market, the production volume for external sales grew from approximately 2,090.0 tonnes in 2014 to 3,690.0 tonnes in 2018 and is expected to reach 5,210.1 tonnes in 2023 representing a CAGR of 7.1%. This also implies that the scale of production for in-house consumption by pyro-metallurgical and processing companies in China is rather limited and expected to increase as some companies are pushing forward vertical integrations.

Compared with metallurgy companies located in developing countries such as Brazil, Thailand, South Africa and a few other places, PRC-based tantalum and niobium hydrometallurgy companies have comparable labour cost levels. PRC-based companies compete on the following fronts with metallurgy companies located in developing countries, including those in close proximity to the mines: (i) the production capability of the PRC-based companies as the total production volume of tantalum- and niobium-based hydrometallurgical products in China amounted to 4,336.6 tonnes in 2018, representing 58.6% of the global production volume, which is comparable to the proportion of the global consumption of tantalum and niobium ores used to produce tantalum- and niobium-based hydrometallurgical products in China; (ii) the readily available auxiliary raw materials such as acids, ammonia, and other chemical materials provided by domestic suppliers; and (iii) the well-developed logistics networks in China that facilitate the global trade of relevant products both by vessel and air transportation.

According to CIC, the global and PRC tantalum and niobium metallurgy industries have considerable growth prospects in the following regards:

- *Industrial upgrade.* The PRC Government has published policies to reduce excessive capacity (去產能), including requirements to shut down small-size enterprises. These policies and requirements are likely to accelerate consolidation of the industry, compelling the market participants to increase investments on upgrading manufacturing technologies, and expand their production capacity.

- *Growing demand for high-purity products.* The rapid development of downstream industries of high-purity products, such as high-end electronics industry and super-conducting materials industry, will likely drive the demand for high-purity tantalum- and niobium-based metallurgical products. For details, please refer to the paragraph headed "Value Chain for the Global and PRC Tantalum and Niobium Metallurgy Industries" in this section.

- *Ever-expanding applications.* As a variety of innovative materials have been or will be developed from tantalum- and niobium-based metallurgical products such as surface acoustic wave (SAW) filters, in line with China's increasing investment in research and development

for new materials, the applications of tantalum- and niobium-based metallurgical products are expected to expand in the next decade, which will create new demand for tantalum- and niobium-based metallurgical products.

- *Investments in overseas tantalum ores and niobium ores.* As over 85% of tantalum ores and niobium ores consumed by PRC enterprises are imported from overseas, PRC tantalum and niobium metallurgy industry participants are seeking opportunities to invest in overseas tantalum-niobium mines. As such, the PRC enterprises will be able to further secure the supply of raw materials for ensuring the timely delivery of products and expanding production capacity.

Entry Barriers for the Global and PRC Tantalum and Niobium Metallurgy Industries

Both the global and PRC tantalum and niobium metallurgy industries have high entry barriers, including:

- *Capital requirement.* Substantial initial investment is required to acquire land use rights, construct required plants, purchase and install production facilities, as well as to recruit skilled personnel.

- *Mandatory qualifications.* A company engaged in the manufacturing of tantalum- and niobium-based metallurgical products needs to obtain various permits and licences pursuant to relevant laws and regulations, such as work safety permit, hazardous chemicals registration certificate and special equipment use registration certificate.

- *Environmental protection requirements.* The PRC Government pays special attention to environmental protection issues. Before commencing commercial production, a manufacturer of tantalum- and niobium-based metallurgical products needs to pass environmental assessment procedures, obtain approvals from relevant environmental protection authorities, and continuously comply with environmental requirements during its operation and production.

- *Technology barriers.* To meet differentiated customer demand for products with different physical properties and other specifications, a manufacturer of tantalum- and niobium-based metallurgical products needs to research and develop innovative metallurgical technologies. However, only a few companies are able to produce tantalum- and niobium-based metallurgical products that meet the increasingly rigorous technical requirements and the continuously rising performance requirements and standards.

- *Availability of raw materials.* Tantalum ores and niobium ores are the key raw materials for the manufacturing of tantalum- and niobium-based metallurgical products. Access to a stable supply of tantalum ores and the niobium ores is critical to the timely delivery of products to customers.

Regulatory Environment for PRC Tantalum and Niobium Metallurgy Industry

The PRC Government has introduced a number of policies and initiatives to encourage the development of the tantalum and niobium metallurgy industry in recent years. MIIT promulgated the 13th Five-Year Plan on the Non-ferrous Metals Industry (有色金屬工業十三五發展規劃) in October 2016 to increase the investment in research and development for key manufacturers in the non-ferrous metal industry. The NDRC, MOF and MOFCOM have promulgated the Catalogue of Recommended Technologies and Products to be Imported (鼓勵進口技術和產品目錄) in September 2016, pursuant to which manufacturing technology for tantalum- and niobium-based special alloys and the coating technologies have been listed, and PRC enterprises are eligible to apply for certain government subsidies when importing such technologies. As a result, it is expected that PRC enterprises will import tantalum- and niobium-based special alloys and coating technologies, which may in turn drive the technology upgrade of the PRC tantalum and niobium metallurgy industry. New advancements in manufacturing technology for tantalum- and niobium-based special alloys have driven and will continue to drive the need for tantalum- and niobium-based hydrometallurgical products in the PRC market. In addition, the Made in China 2025 Initiative (中國製造2025) introduced by the PRC Government in 2015 aims to facilitate the growth of tantalum and niobium metallurgy industry by encouraging investment in research

and development of advanced technologies for the production of tantalum- and niobium-based metallurgical products. Moreover, the PRC Government is expected to promulgate policies to offer more effective protection of intellectual properties to promote intelligent and green manufacturing.

THE PRC TANTALUM- AND NIOBIUM-BASED HYDROMETALLURGICAL PRODUCTS MARKET

Raw Materials Supply

Tantalum ores and niobium ores are the key raw materials for the production of tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate. According to CIC, over 85% of tantalum ores and niobium ores consumed in China are imported from African and South American countries, such as Nigeria, Rwanda, Sierra Leone, the Democratic Republic of the Congo, and Brazil.

The grades of tantalum ores and niobium ores can vary significantly in terms of different tantalum and niobium concentration levels. The grade of ores is determined according to industry-wide tests such as paper chromatography (紙上色層分析法) and ICP-MS method (電感耦合等離子體原子發射光譜法) on the tantalum and niobium concentration levels, which are universally acceptable by the global industry participants. The following table presents a brief summary of grade and specific pricing policy for the commonly-traded tantalum and niobium ores:

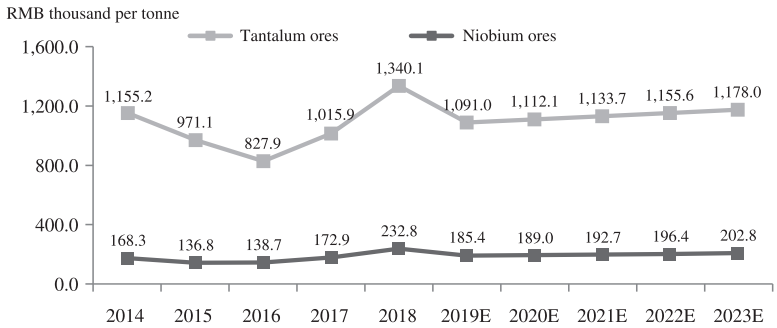
	Contents of tantalum pentoxide	Contents of niobium pentoxide	Pricing practice in the industry
Tantalum ores	15% to 35%	18% to 30%	Unit price of tantalum pentoxide multiplied by the weight of tantalum pentoxide; the value of niobium pentoxide contained in the ores is normally not included in the price.
Niobium ores	3% to 20%	20% to 60%	Unit price of niobium pentoxide multiplied by the total weight of tantalum pentoxide and niobium pentoxide contained in the ores; as tantalum pentoxide is significantly more expensive, the unit price of niobium ores can vary greatly depending on the content of tantalum pentoxide within the ores.

In general, high-grade tantalum and niobium ores are more ideal for producing high-purity pentoxides, as there are fewer impurities in the ores. However, the supply of high-grade ores is not always as stable as that of common ores. The metallurgy companies both in China and overseas countries have all evolved to cope with various grades of ores after decades of technological advance and practice. As a result, the difference in the grades of ores will not lead to significant variance in product purity, as the purity is mostly determined by the production process and technique involved. In fact, metallurgy companies in China all have similar access to the global supply of tantalum and niobium ores, and there are usually no significant differences in the quality of ores purchased by these companies in the long term, while leading players may have advantages in procuring high-grade ores occasionally due to their capital strength in making fast down payments.

The average market price for imported tantalum ores decreased significantly from RMB1.2 million per tonne in 2014 to RMB0.8 million per tonne in 2016, primarily due to the increasing supply from African countries and relatively weakening demand from downstream metallurgy industries. The average market price started to rebound to RMB1.0 million per tonne in 2017 and reached RMB1.3 million per tonne by the end of 2018, which was attributable to increasing demand for tantalum-based products. As the demand for tantalum-based products stabilised, the price of tantalum ores is expected to decline in 2019, and gradually increase from 2020 to 2023, reaching RMB1.2 million per tonne in 2023. For the same reasons, the average market price for imported niobium ores declined from RMB168,300 per tonne in 2014 to RMB138,700 per tonne in 2016, and started to slightly rebound to RMB172,900 per tonne in 2017 and reached RMB232,800 per tonne by the end of 2018. The price of niobium ores is expected to decline in 2019, and remain relatively stable and reach RMB202,800 per tonne in 2023.

The following graph illustrates the average market prices for imported tantalum ores and niobium ores for the periods indicated:

PRC average market prices for imported tantalum and niobium ores[(1)] (2014–2023E)



Source: China Tantalum and Niobium Association, CIC

Note:

(1) PRC average market prices for imported tantalum ores and niobium ores refer to the average imported prices for tantalum ores containing a minimum of 30.0% of tantalum pentoxide, and niobium ores containing a minimum of 50.0% of niobium pentoxide and 5.0% of tantalum pentoxide, respectively, including cost, insurance, and freight expenses.

Market Size and Forecast in terms of Production Volume for External Sales

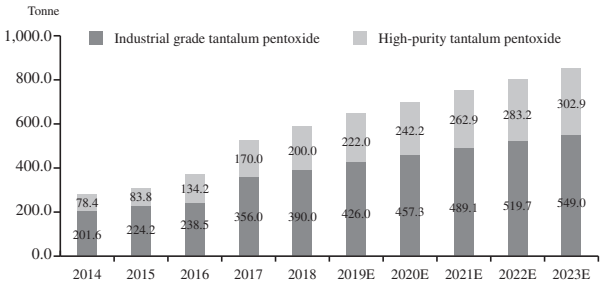
Pentoxide

The production volume of tantalum pentoxide in China increased from 280.0 tonnes in 2014 to 590.0 tonnes in 2018, representing a CAGR of 20.5%, and is expected to further increase to 851.9 tonnes in 2023, representing a CAGR of 7.6%, primarily due to the growing demand from various downstream industries. The production volume of industrial grade tantalum pentoxide increased from 201.6 tonnes in 2014 to 390.0 tonnes in 2018, primarily due to the recovery of various downstream industries such as the aeronautical industry, aerospace industry and high-end electronics industry. The production volume of high-purity tantalum pentoxide increased from 78.4 tonnes in 2014 to 200.0 tonnes in 2018, representing a CAGR of 26.4%, and is expected to further increase to 302.9 tonnes in 2023, representing a CAGR of 8.7%, primarily driven by the favourable PRC Government policies and growing demand for certain high-tech electronic components manufactured from high-purity tantalum pentoxide.

The production volume of niobium pentoxide in China increased from 1,352.0 tonnes in 2014 to 2,250.0 tonnes in 2018 representing a CAGR of 13.6%, and is expected to further increase to 3,248.9 tonnes in 2023, representing a CAGR of 7.6%, primarily due to the growing demand from downstream industries, such as the special alloys industry, and upgrades to metallurgy technology. The production volume of industrial grade niobium pentoxide increased from 1,095.1 tonnes in 2014 to 1,580.0 tonnes in 2018. The production volume of high-purity niobium pentoxide increased from 256.9 tonnes in 2014 to 670.0 tonnes in 2018, representing a CAGR of 27.1%, and is expected to further increase to 1,066.3 tonnes in 2023, representing a CAGR of 9.7%, primarily driven by favourable PRC Government policies and development of downstream industries, such as high-speed trains, aerospace and aeronautical

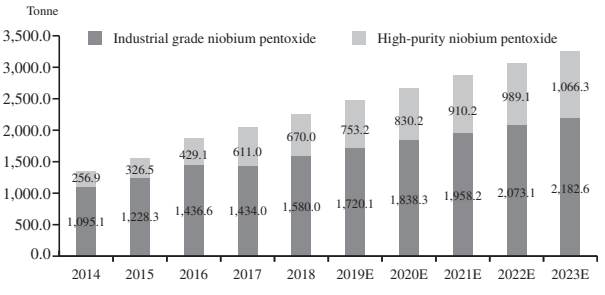
industries. The following charts illustrate the market size for the PRC tantalum pentoxide market and PRC niobium pentoxide market in terms of production volume for the periods indicated:

PRC tantalum pentoxide market size by production volume (2014–2023E)



Source: China Tantalum and Niobium Association, CIC

PRC niobium pentoxide market size by production volume (2014–2023E)



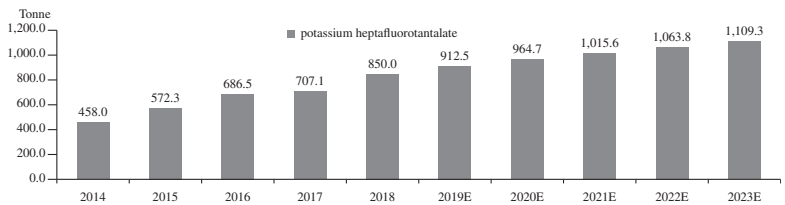
Source: China Tantalum and Niobium Association, CIC

Potassium heptafluorotantalate

The production volume of potassium heptafluorotantalate in China increased from 458.0 tonnes in 2014 to 850.0 tonnes in 2018, and is expected to increase to 1,109.3 tonnes in 2023, representing a CAGR of 5.5% between 2018 and 2023. Such a strong growth is primarily because its downstream product, namely tantalum powder, is applied in increasing applications in high-tech fields including high temperature resisting special alloys in the aerospace industry, corrosion-resistant alloys in the offshore engineering equipment manufacturing industry and target materials in the semi-conductor manufacturing industry.

The following chart illustrates the market size for the PRC potassium heptafluorotantalate market in terms of production volume for the periods indicated:

PRC potassium heptafluorotantalate market size by production volume (2014–2023E)



Source: China Tantalum and Niobium Association, CIC

Average Selling Price and Forecast

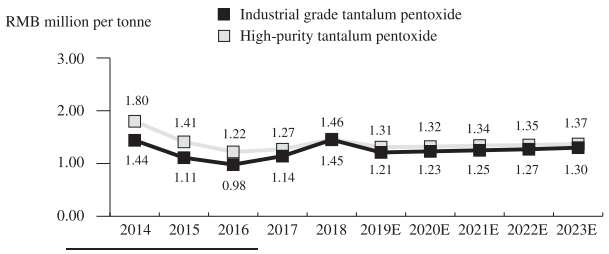
Pentoxide

The average selling prices for industrial grade tantalum pentoxide and industrial grade niobium pentoxide in China decreased from RMB1.4 million per tonne and RMB185,600 per tonne in 2014, respectively, to RMB1.0 million per tonne and RMB150,600 per tonne in 2016, respectively. Such downward price trend was mainly due to the expansion of production capacity of producers of such products in line with the advances in production techniques and the decline in price of tantalum ores and niobium ores for the same period. The average selling prices for industrial grade tantalum pentoxide and industrial grade niobium pentoxide in China increased to RMB1.5 million per tonne and RMB237,300 per tonne in 2018, respectively, mainly driven by the growing demand from various downstream industries in line with the recovering global economy. According to CIC, the average selling prices of industrial grade tantalum pentoxide and industrial grade niobium pentoxide in China are expected to slightly decline to RMB1.2 million per tonne and RMB195,600 per tonne in 2019, respectively, which is in line with the decline in price of tantalum ores and niobium ores, and then reach RMB1.3 million per tonne and RMB212,300 per tonne, respectively, in 2023.

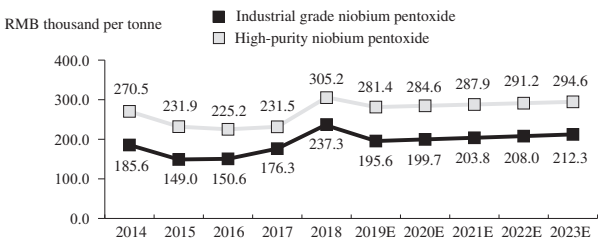
The average selling prices for high-purity tantalum pentoxide and high-purity niobium pentoxide in China decreased from RMB1.8 million per tonne and RMB270,500 per tonne in 2014, respectively, to RMB1.2 million per tonne and RMB225,200 per tonne in 2016, respectively. Such downward price trend was mainly due to the continuous decline in prices for tantalum ores and niobium ores as a result of increased global supply from African countries and relatively stable demand for metallurgical products from downstream industries that were de-stocking their inventories built up in the previous years. The average selling prices for high-purity tantalum pentoxide and high-purity niobium pentoxide in China increased to RMB1.5 million per tonne and RMB305,200 per tonne in 2018, respectively, driven by rising demand from downstream industries. Such prices are expected to decline to RMB1.3 million per tonne and RMB281,400 per tonne in 2019, respectively, mainly due to an expected stable supply of tantalum ores and niobium ores in the upstream industries. Afterwards, such prices are expected to increase to RMB1.4 million per tonne and RMB294,600 per tonne in 2023, respectively, due to a continuously growing demand from downstream industries including electronics, optical glass manufacturing and superconducting materials.

The following graph illustrates the average selling prices for tantalum pentoxide and niobium pentoxide in China for the periods indicated:

PRC annual average market price for tantalum pentoxide (2014–2023E)



PRC annual average market price for niobium pentoxide (2014–2023E)



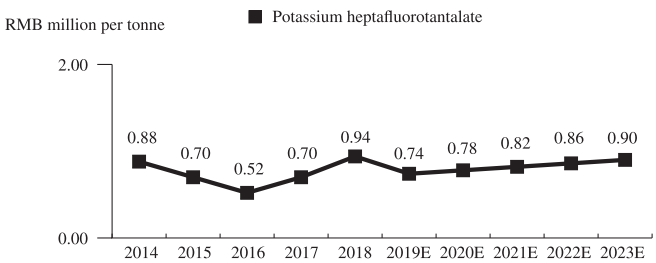
Source: Asiametal.com, CIC

Potassium heptafluorotantalate

The average selling price for potassium heptafluorotantalate in China decreased from RMB0.9 million per tonne in 2014 to RMB0.5 million per tonne in 2016, in line with the decline in price of tantalum ores and niobium ores for the same period. The average selling price for potassium heptafluorotantalate in China increased from RMB0.5 million in 2016 to RMB0.9 million in 2018, in line with the price increase in tantalum ores and niobium ores from 2016 to 2018. The average selling price for potassium heptafluorotantalate in China is expected to drop in 2019 and then rebound slightly, mainly due to the expected stable and sufficient supply of tantalum ores and niobium ores in the global and PRC markets.

The following graph illustrates the average selling price for potassium heptafluorotantalate in China for the periods indicated:

PRC annual average market price for potassium heptafluorotantalate (2014–2023E)



Source: China Tantalum and Niobium Association, CIC

Sales Volume and Inventory Trend

As the production of tantalum- and niobium-based metallurgical products is capital-intensive, given that the market prices of high-value ores are controlled by international suppliers and almost no credit payment is accepted by them, PRC producers of tantalum- and niobium-based metallurgical products have to maintain their inventory at reasonable levels to expedite the operational cycle and lower financial expenses. The total sales volume of tantalum- and niobium-based hydrometallurgical products in China was 2,881.9 tonnes, 3,229.2 tonnes and 3,750.0 tonnes for FY2016, FY2017 and FY2018, respectively, while the production volume for external sales, which includes the sales volume and net change in inventory, was 2,924.9 tonnes, 3,278.1 tonnes and 3,690.0 tonnes, respectively. As the market prices kept recovering between 2016 and 2017, the industry sales volume was 1% to 2% lower than the actual production volume. Considering that the gap between sales volume and production volume was insignificant between 2016 and 2017, there was no obvious overstock of tantalum- and niobium-based hydrometallurgical products from PRC manufacturers, according to CIC. In 2018, due to the rising demand for tantalum- and niobium-based hydrometallurgical products, sales volume exceeded production volume.

Competitive Landscape

The PRC tantalum- and niobium-based hydrometallurgical products market is competitive and relatively concentrated, with around 15 market players and the top five players accounting for 82.9% of the market share in terms of production volume for external sales in 2018. We are one of the earliest non-state owned PRC-based market participants and ranked first among producers of tantalum and niobium hydrometallurgical products in China in 2018 in terms of annual production volume for external sales, accounting for 35.8% of the market share.

The following table illustrates certain background information of the top five producers of pentoxide products and potassium heptafluorotantalate in terms of production volume in China in 2018:

Ranking	Enterprises	Background	Location	Registered share capital	Production volume	Production volume for external sales	Utilisation rate of production facility (by production volume)	Market share (by production volume for external sales)
				RMB in million	tonnes	tonnes	%	%
1	Our Group	A private enterprise that specialises in offering tantalum- and niobium-based metallurgical products	Guangdong Province	33.8	1,321.0	1,321.0	88.7%	35.8%
2	Company One	A private enterprise that specialises in offering tantalum- and niobium-based metallurgical products	Jiangxi Province	30.0	545.0	545.0	66.5%	14.8%
3	Company Two	A private enterprise that specialises in offering tantalum- and niobium-based metallurgical products	Hunan Province	15.8	460.0	460.0	29.7%	12.5%
4	Company Three	A state-owned enterprise that provides a comprehensive set of tantalum and niobium products	Jiangxi Province	133.6	570.0	403.0	74.0%	10.9%
5	Company Four	A private enterprise that specialises in offering niobium-based metallurgical products	Jiangsu Province	30.0	330.0	330.0	66.0%	8.9%

Source: China Tantalum and Niobium Association, CIC

We achieved a higher utilisation rate of production facilities compared with other key competitors in 2018 mainly because of: (i) our continuous efforts in upgrading and optimising our production process and technologies to enhance our production efficiency and lower our costs; and (ii) significant increases in our sales volume for the same period attributable to our products consistently meeting the industry standards on purity and enhanced brand recognition. According to CIC, the utilisation rate of the major players in the tantalum and niobium hydrometallurgy industry is an indicator of a company's competitiveness.

Driven by the favourable PRC government policies and development of downstream industries, our Group recorded rapid growth in terms of production volume from 2016 to 2018, with a CAGR of 22.6%. Between 2016 and 2018, market size for China's tantalum and niobium hydrometallurgical products in terms of production volume for external sales grew from 2,924.9 tonnes to 3,690.0 tonnes, representing a CAGR of 12.3%. The higher growth of production volume of our Group than that of the overall market indicates that our Group has acquired a larger share of the market.

We own the largest number of patents among the major players in the tantalum- and niobium-based hydrometallurgical products companies in China. The table below sets forth the comparison of the number of patents owned by us with that of patents owned by other major market players:

	Number of utility patents		Number of invention patents *(Note)*		Total
	Under review	Valid	Under review	Valid	
Our Group	0	19	6	5	30
Company One	0	0	0	0	0
Company Two	0	5	0	0	5
Company Three	0	7	4	12	23
Company Four	0	0	0	0	0

Note: The number of patents only includes self-developed patents.

Source: search.cnipr.com

The table below sets forth the number of patents owned by us by function:

Function	Number of patents
Increasing the purity of our products	6
Increasing our production efficiency and the output yields of our products	6
Enhancing our capability to meet environmental protection requirements	9

The table below sets forth the comparison of the output yields of our products compared with the industry norm:

	Overall Output Yield			
	Our Group (2016)	Our Group (2017)	Our Group (2018)	Industry norm
Industrial grade tantalum pentoxide	92.3%	92.5%	93.2%	90%–92%
High-purity tantalum pentoxide	86.8%	91.7%	91.7%	86%–88%
Industrial grade niobium pentoxide	95.9%	96.6%	96.6%	93%–94%
High-purity niobium pentoxide	93.5%	95.4%	95.0%	89%–90%
Potassium heptafluorotantalate	93.1%	92.4%	93.2%	90%–92%

Source: CIC

Our patented technologies are recognised in the industry in China because: (i) we were able to achieve higher output yields of our products compared with industry participants using standard production techniques, as estimated by CIC, which could be attributed to six of our patents utilised to increase our production efficiency and output yields; (ii) we have complied with the pollutant emission limits each year within the valid period of the relevant pollutant emission permits during the Track Record Period, which could be attributed to nine of our patents, which were utilised to deal with waste gas and waste water, and reduce noise; and (iii) the highest purity of our high-purity pentoxide products delivered to our clients was not less than 99.99%, compared with the industry standards for high-purity pentoxide products on purity level of not less than 99.95%, which could be attributable to six of our patents utilised to increase the purity of our products. For FY2016, FY2017 and FY2018, 91.7%, 94.6% and 100.0% of our sales volume of high-purity pentoxide products, respectively, had a purity level of not less than 99.99% although some of the sales contracts only required purity level of not less than 99.95% (according to CIC, approximately 40% of the sales contracts for high-purity tantalum pentoxide and niobium pentoxide in the PRC market require a purity level of not less than 99.99%).

Producing tantalum pentoxide and niobium pentoxide at a purity level of not less than 99.99% requires special impurity-removing techniques, and therefore, only a limited number of PRC tantalum- and niobium-based hydrometallurgical product manufacturers have capacity to produce such products. As at 31 December 2018, only three of the top five players and another state-owned enterprise were able to produce tantalum pentoxide and niobium pentoxide at a purity level of not less than 99.99%. In 2018, we had the highest percentage of high-purity pentoxide products produced with a purity level of not less than 99.99%.

The table below sets forth the comparison of the percentage of high-purity pentoxide products produced with a purity level of not less than 99.99% among the top five players in the industry in 2018:

	Percentage of high-purity pentoxide products produced with a purity level not less than 99.99%	
	Tantalum pentoxide	Niobium pentoxide
Our Group	100.0%	100.0%
Company One	45.0%	35.0%
Company Two	0%	0%
Company Three	71.0%	65.0%
Company Four	0%	0%

Source: CIC

For tantalum- and niobium-based hydrometallurgical product manufacturers, compliance with the PRC environmental protection requirements plays a vital role in maintaining competitiveness in the industry. The lack of capacity in dealing with waste gas and other types of waste may result in regulatory non-compliance, which will lead to suspension of operation, revocation of production certificate, and potential fines. During the Track Record Period, according to records available in the public domain, there were seven punishment records committed by four tantalum- and niobium-based hydrometallurgical product manufacturers in the PRC due to non-compliance with environmental protection requirements. Some of them have been required to suspend production for as long as six months, which could have negative impacts on their production volume and market shares in the relevant year. We have not been fined by the relevant authorities for violation of PRC laws and regulations related to environmental protection during the Track Record Period.

Meanwhile, the production capacity of tantalum and niobium hydrometallurgical product manufacturers is also affected by their waste disposal capacity because they are required to comply with the pollutant emission limits within the valid period of the relevant pollutant emission permits. For FY2016 and FY2017, we ranked first in terms of production capacity partly due to our waste disposal technology and capacity, which enabled us to have a relatively high level of production capacity while at the same time comply with environmental protection requirements including the pollutant emission limits. The table below sets forth the production capacity of the top five players for FY2016, FY2017 and FY2018:

	FY2016	FY2017	FY2018
	tonne	tonne	tonne
Our Group	1,011	1,011	1,489.5
Company One	495	640	820
Company Two	700	700	1,550
Company Three	570	770	770
Company Four	500	500	500

Source: CIC

Growth Drivers

We believe the following factors will drive the growth of the PRC market for pentoxide products and potassium heptafluorotantalate:

- *Growing demand from various downstream industries.* Tantalum- and niobium-based metallurgical products are essential in the downstream manufacture of various products used in high-tech industries, including special alloys, chemical, electronic ceramics, aeronautics, aerospace, high-end electronics, defence and hard alloy. With the development of the global economy, demand for products manufactured from tantalum- and niobium-based hydrometallurgical products are expected to grow, which in turn will drive the growth in demand for tantalum- and niobium-based metallurgical products.

- *Technology upgrade.* New advances in tantalum- and niobium-based hydrometallurgical products manufacturing technologies have driven and will continue to drive the development of high-purity tantalum- and niobium-based hydrometallurgical products, while at the same time reduce production costs.

- *Strengthening stability in raw materials supplies.* As tantalum ores and niobium ores are the key raw materials required for the manufacturing of tantalum- and niobium-based hydrometallurgical products and over 85% of the tantalum ores and niobium ores consumed by PRC enterprises are imported from overseas, access to and stable supply of tantalum ores and niobium ores are critical to the timely delivery of products and the expansion of production capacity for enterprises in the PRC tantalum and niobium industry. To ensure the stable supply of raw materials, PRC Government and tantalum- and niobium-based hydrometallurgical products manufacturers have built good cooperative relationships with, and seek opportunities to invest in, suppliers of tantalum ores and niobium ores, which in turn will drive the growth of the PRC tantalum and niobium metallurgy industry.

THE PRC TANTALUM- AND NIOBIUM-BASED PYRO-METALLURGICAL PRODUCTS MARKET

Market Size and Forecast

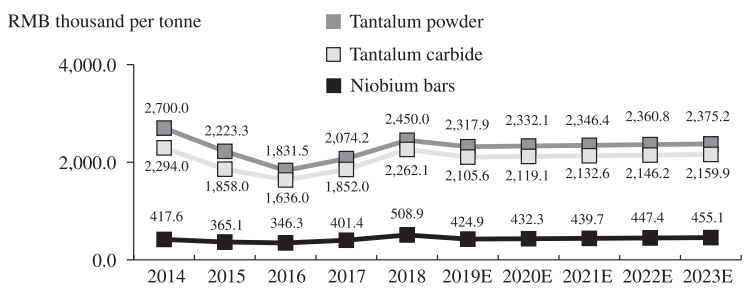
The tantalum- and niobium-based pyro-metallurgical products mainly include tantalum powder, tantalum carbide and niobium bars. The production volume of tantalum- and niobium-based pyro-metallurgical products in China increased from 572.1 tonnes in 2014 to 942.9 tonnes in 2018, representing a CAGR of 13.3%, and is expected to further increase to 1,279.0 tonnes in 2023, representing a CAGR of 6.3%.

Average Selling Price

The average selling price for tantalum powder in China decreased from RMB2.7 million per tonne in 2014 to RMB1.8 million per tonne in 2016 and increased to RMB2.5 million per tonne in 2018. The average selling price for tantalum carbide in China decreased from RMB2.3 million per tonne in 2014 to RMB1.6 million per tonne in 2016, followed by an increase to RMB2.3 million per tonne in 2018. The average selling price for niobium bars in China decreased from RMB417,600 per tonne in 2014 to RMB346,300 per tonne in 2016, and increased to RMB508,900 per tonne in 2018. Between 2014 and 2016, the downward price trend of these tantalum- and niobium-based pyro-metallurgical products was mainly due to: (i) the decreased average market prices for imported tantalum ores and niobium ores for the same period; and (ii) the relatively weak bargaining power of PRC-based tantalum and niobium metallurgical manufacturers, who were still in the process of building up their customer base. From 2016 to 2018, the upward trend of the prices was in line with the price increase in tantalum ores and niobium ores from 2016 to 2018.

The average selling price for tantalum powder in China is expected to reach RMB2.4 million per tonne in 2023. The average selling price for tantalum carbide in China is expected to reach RMB2.2 million per tonne in 2023. The average selling price for niobium bars in China is expected to reach RMB455,100 per tonne in 2023. The expected decline in 2019 was mainly because the prices in 2018 have reached a peak in the short term. The expected upward price trend of these tantalum- and niobium-based pyro-metallurgical products is mainly based on: (i) an expected recovery in demand for tantalum- and niobium-based pyro-metallurgical products in line with the recovering global economy; and (ii) expected increasing bargaining power of PRC-based tantalum and niobium metallurgical manufacturers in line with their broadening customer base.

PRC annual average market price for tantalum powder, tantalum carbide and niobium bars (2014–2023E)



Source: China Tantalum and Niobium Association, CIC

Growth Drivers

The tantalum- and niobium-based pyro-metallurgical products are used in a variety of downstream industries, including, among others, the high-end electronic ceramics, super alloys, defence and hard alloy industries. Such downstream industries are expected to experience rapid development in the coming years, which in turn will drive the demand for tantalum- and niobium-based pyro-metallurgical products in China.

THE PRC TANTALUM- AND NIOBIUM-BASED PROCESSED PRODUCTS MARKET

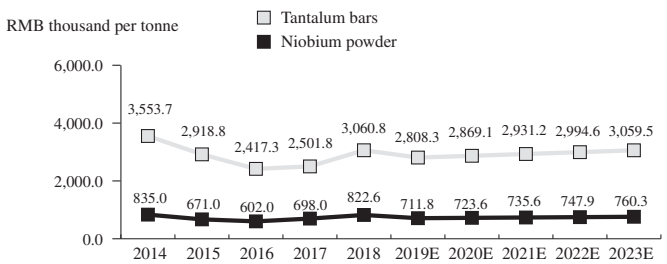
Market Size and Forecast

The production volume of tantalum bars in China increased from 146.0 tonnes in 2014 to 221.6 tonnes in 2018, representing a CAGR of 11.0%, and is expected to further increase to 337.6 tonnes in 2023, representing a CAGR of 8.8%. The production volume of niobium powder in China increased from 16.0 tonnes in 2014 and 22.7 tonnes in 2018, representing a CAGR of 9.1%, and is expected to increase to 31.1 tonnes in 2023, representing a CAGR of 6.5%.

Average Selling Price and Forecast

The average selling price for tantalum bars in China decreased from RMB3.6 million per tonne in 2014 to RMB2.4 million per tonne in 2016, and increased to RMB3.1 million per tonne in 2018. The average selling price for niobium powder in China decreased from RMB0.8 million per tonne in 2014 to RMB0.6 million per tonne in 2016, and increased to RMB0.8 million per tonne in 2018. The downward trend at the beginning was mainly because the PRC-based manufacturers for such products were in the process of building up their customer base, which in turn resulted in their relatively weak bargaining power. The following increase was mainly due to the increase of the prices of the raw materials. According to CIC, the average selling prices for tantalum bars and niobium powder in China are expected to decline slightly in 2019 and rebound in the near future in line with the PRC-based manufacturers' continuous efforts to gain wider market recognition. The following graph illustrates the average selling prices for tantalum bars and niobium powder in China for the periods indicated:

PRC annual average market prices for tantalum bars and niobium powder (2014–2023E)



Source: China Tantalum and Niobium Association, CIC

Growth Drivers

Tantalum bars and niobium powder are widely used in the production of heat-resistant special alloys in the aerospace industry, and mill products that can be applied in chemical equipment industries, semi-conductor industries, etc. Such downstream industries are expected to experience rapid development in the coming years, which in turn will drive the demand for tantalum- and niobium-based processed product in China.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Law of the PRC on Wholly Foreign-owned Enterprises

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law, which was issued by the SCNPC on 29 December 1993, last revised and became effective on 26 October 2018. A foreign-invested company is also subject to the PRC Company Law unless otherwise provided by the foreign investment laws.

The establishment and operation of wholly foreign-owned enterprises are mainly governed by the Law of the PRC on Wholly Foreign-Owned Enterprises (中華人民共和國外資企業法), which was issued by the NPC on 12 April 1986, last revised on 3 September 2016 and became effective on 1 October 2016, and governed by the Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-Owned Enterprises (中華人民共和國外資企業法實施細則) issued by the Ministry of Foreign Economy and Trade (對外經濟貿易部) (now integrated into the MOFCOM on 12 December 1990 and last revised by the State Council on 19 February 2014 and became effective on 1 March 2014. The Foreign Investment Law of the PRC (中華人民共和國外商投資法) was adopted by the NPC on 15 March 2019 and will come into force on 1 January 2020, by which time, the Law of the PRC on Wholly Foreign-Owned Enterprises Law shall be repealed by the Foreign Investment Law simultaneously. The Foreign Investment Law sets out the definition of foreign investment and the framework for promotion, protection and administration of foreign investment activities.

Catalogue of Industries for Guiding Foreign Investment

Investments in the PRC by foreign investors and foreign-invested enterprises were regulated by the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄), last repealed by the Special Management Measures (Negative List) for the Access of Foreign Investment (2019 Version)(外商投資准入特別管理措施(負面清單) (2019年版)) (the "**Negative List**") and the Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (鼓勵外商投資產業目錄(2019年版)) (the "**Encouraging Catalogue**") which were promulgated by the NDRC and the MOFCOM on 30 June 2019 and became effective on 30 July 2019. Pursuant to the Encouraging Catalogue and the Negative List, foreign-invested projects are categorised as encouraged, restricted and prohibited. Foreign-invested projects that are not listed in the Encouraging Catalogue and the Negative List are permitted foreign-invested projects. As the tantalum and niobium metallurgy industry is not listed in the Negative List, it shall be considered as a permitted industry.

Records of Foreign-Owned Enterprises

On 3 September 2016, the SCNPC revised the Law of the PRC on Wholly Foreign-Owned Enterprises, such that foreign-owned enterprises which are not subject to the special administrative measures for admission need only file a record of its establishment, operation period, extension, separation, merger or other major changes to the delegated commercial authorities. The special administrative measures for admission shall be issued or approved to be issued by the State Council. Pursuant to Announcement No. 22 issued by the NDRC and the MOFCOM on 8 October 2016 and became effective on the same day, the special administrative measures for admission shall be implemented with reference to the relevant regulations as stipulated in the Catalogue in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-invested industries which have requirements as to shareholding and the qualifications of senior management. In accordance with the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the "**Interim Measures**"), which was issued by the MOFCOM on 8 October 2016, last revised on 29 June 2018 and became effective on 30 June 2018, foreign-invested enterprises not subject to approval under the special administrative measures for admission shall file their establishment and modification with the delegated commercial authorities. Since 8 October 2016, foreign-invested enterprises that fall within the record-filing scope as stipulated in the Interim Measures shall submit an application and the relevant documents for record-filing of the establishment and changes and undergo the required record-filing procedures.

Changes in Equity Interests of Investors in Foreign Investment Enterprises Several Provisions

Pursuant to the Changes in Equity Interests of Investors in Foreign Investment Enterprises Several Provisions (外商投資企業投資者股權變更的若干規定), which was promulgated by the Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) (now integrated into the MOFCOM) and the SAIC on 28 May 1997 and became effective on the same day, changes in equity interests of investors in foreign investment enterprises shall refer to the changes that occur in investors in Sino-foreign equity joint ventures, Sino-foreign co-operative joint ventures and wholly foreign-owned enterprises ("**Enterprises**") established within the territory of the PRC according to the laws of the PRC or the changes that occur in the shares of capital contributions (including co-operation conditions provided) ("**Equity Interests**") of investors in Enterprises. Any change in the Equity Interest of an investor in an Enterprise shall conform with the relevant Chinese laws and regulations and be subject to approval by the examination and approval authority in accordance with these provisions, whereupon the registration with the registration authority shall be changed in accordance with these regulations. Any changes in Equity Interests that have not been approved by the examination and approval authority shall be invalid.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例) issued by the State Council on 29 January 1996, last revised on 5 August 2008 and became effective on the same day, the foreign exchange income and expenditure and foreign exchange business operations of Chinese institutions and individuals, as well as the foreign exchange income and expenditure and foreign exchange business operations conducted within the territory of the PRC by overseas institutions and individuals, shall be subject to foreign exchange administration. The Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside of the PRC unless approval from the SAFE or its local counterpart is obtained in advance.

According to the Circular of SAFE Concerning Reform of the Administrative Approaches to Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), which was issued on 30 March 2015 and became effective on 1 June 2015, a voluntary settlement mechanism for foreign exchange capital funds to foreign-invested enterprises shall be implemented, and RMB funds from voluntary settlement of capital funds shall be deposited into and managed under an "account for foreign exchange fund settled and to be paid". Pursuant to the Circular 37, a domestic corporate entity and individual domestic resident, which/who, for the purposes of investment and financing, directly establishes or indirectly controls a special-purpose vehicle, and directly or indirectly undertakes domestic direct investment activities through such special-purpose vehicle using legitimately held domestic company assets or equities or using legitimately held overseas company assets or equities, namely the activity of establishing a domestic foreign investment enterprise or project by merger and acquisition or incorporating a new entity while acquiring ownership title, rights of control, rights of business operation and management and other similar activities must apply to SAFE for registration of foreign exchange for overseas investment. According to the Circular 13, the foreign exchange administration policies for direct investment are further simplified. This includes the cancelling of two administrative approvals, namely the foreign exchange registration approvals under domestic and overseas direct investments, which shall be verified directly by banks instead; the simplifying of confirmation registration and administration over a foreign investor's capital contribution under domestic direct investment; and the cancelling of annual foreign exchange inspection of direct investment.

PRC LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) promulgated by the SCNPC on 12 March 1984, last revised on 27 December 2008 and became effective on 1 October 2009, and the Detailed Rules for the Implementation of the Patent Law of the PRC (中華人民共和國專利法實施細則) promulgated by the State Council on 19 January 1985, last revised on 9 January 2010 and became

effective on 1 February 2010, there are three types of patents in the PRC, namely invention patents, utility model patents and design patents. Invention patents are valid for 20 years from the date of application; utility model patents and design patents are valid for 10 years from the date of application. Patent owners pay annual fees from the year they are granted the patent. Persons or entities who use patents without the consent of patent owners, counterfeit patented products or engage in activities that infringe upon patent rights will be held liable to the patent owner for compensation and may be subjected to fines and even criminal punishment.

PRC LAWS AND REGULATIONS RELATING TO LAND

Pursuant to the Land Administration Law of the PRC (中華人民共和國土地管理法) issued by the SCNPC on 25 June 1986, last revised on 28 August 2004 and became effective on the same day, and the Regulation on the Implementation of the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例) issued by the State Council on 4 January 1991, last revised on 29 July 2014 and became effective on the same day, all entities and individuals that are in need of land for construction purpose shall, in accordance with law, apply for the use of state-owned land. Where land for agriculture is to be used for construction purpose, the formalities of examination and approval shall be undertaken for the conversion of land into construction land. If a construction unit needs to use state-owned land for construction of an approved project, it shall apply to the land administration department of the government at or above the county level that has the approval authority by presenting the relevant documents as required by laws and regulations. The said department shall examine the application before submitting it to the said government for approval. A construction unit that plans to use state-owned land shall obtain it by means of compensation for assignment. A construction unit that obtains land use right of state-owned land shall pay premium for the use of land, in accordance with the rates and measures prescribed by the State Council.

PRC LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

According to the EIT Law issued by the NPC on 16 March 2007, last revised by the SCNPC on 29 December 2018 and became effective on the same day, and the Regulation on the Implementation of the EIT Regulation issued by the State Council on 6 December 2007, last revised on 23 April 2019 and became effective on the same day, both domestic and foreign-invested enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located in the PRC are considered resident enterprises, and will generally be subject to EIT at the rate of 25% of their global income. The EIT law defines "de facto management bodies" as "establishments that carry out substantial and overall management and control over production and operations, personnel, accounting, and properties" of the enterprise. If an enterprise is considered a PRC resident enterprise under the above definition, its global income will be subject to EIT at the rate of 25%. The Notice on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (關於境外註冊中資控股企業依據實際管理機構認定為居民企業有關問題的通知) issued by the SAT on 22 April 2009, last revised on 29 December 2017 and became effective on the same day, sets up a more specific definition of actual management structure standard.

In addition, under the EIT Law, High-tech Enterprises that need the key support of the state shall have their EIT rate reduced to 15%. The High-tech Technology Areas Entitled to the Key Support of the State (國家重點支持的高新技術領域), the Administrative Measures for Determination of High-tech Enterprises (高新技術企業認定管理辦法) and the EIT Law regulate the sort of enterprises that are capable of enjoying tax reduction.

Value Added Tax ("VAT")

According to the Interim Regulation on Value Added Tax of the PRC (中華人民共和國增值稅暫行條例) issued by the State Council on 13 December 1993, last revised on 19 November 2017 and became effective on the same day, and the Detailed Rules for the Implementation of the Interim Regulation on Value Added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則) issued by the MOF on 25 December 1993, last revised on 28 October 2011 and became effective on 1 November

2011, entities and individuals selling goods in the PRC or providing processing services, repair services and importation services should be subject to VAT, and the payable tax amount shall be calculated by deducting input tax for the current period from output tax for the current period.

According to the Notice of Taxation on Implementing the Pilot Programme of Replacing Business Tax with VAT in an All-round Manner (關於全面推開營業税改徵增值税試點的通知) jointly issued by the MOF and the SAT on 23 March 2016, last revised on 20 March 2019 and became effective on 1 April 2019, the countrywide pilot practice of levying VAT in lieu of business tax (the "**Pilot Practice**") has been carried out since 1 May 2016. According to the specific regulatory documents for the Pilot Practice, including the Implementation Measures for the Pilot Practice of Levying VAT in lieu of Business Tax (營業税改徵增值税試點實施辦法), the VAT rates vary from 17%, 11%, 6% to 0% for taxpayers incurring taxable activities.

According to the Notice of Taxation on Adjusting Value-added Tax Rates (關於調整增值税税率的通知) issued jointly by the MOF and the SAT on 4 April 2018 and became effective on 1 May 2018, the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively. As for exported goods to which the tax rate of 17% applies and whose export tax refund rate is 17%, the export tax refund rate shall be adjusted to 16%. As for exported goods and cross-border taxable sales to which the tax rate of 11% applies and whose export tax refund rate is 11%, the export tax refund rate shall be adjusted to 10%. The abovementioned exported goods sold by and the cross-border taxable sales conducted by a producer before 31 July 2018 shall be subject to the export tax refund rate before adjustment.

According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (關於深化增值税改革有關政策的公告) jointly promulgated by the MOF, the SAT and the General Administration of Customs of the PRC (中華人民共和國海關總署) on 20 March 2019 and became effective on 1 April 2019, the VAT tax rates on sales, imported goods that were previously subject to 16% and 10% are now adjusted to 13% and 9% respectively. As for exported goods to which the tax rate of 16% applies and whose export tax refund rate is 16%, the export tax refund rate shall be adjusted to 13%. As for exported goods and cross-border taxable sales to which the tax rate of 10% applies and whose export tax refund rate is 10%, the export tax refund rate shall be adjusted to 9%. The abovementioned exported goods sold by and the cross-border taxable sales conducted by a producer before 30 June 2019 shall be subject to the export tax refund rate before adjustment, if VAT thereon has been collected at the tax rate before adjustment at the time of purchase; and where the VAT thereon has been collected at the adjusted tax rate at the time of purchase, the adjusted export tax refund rate shall apply.

Environmental Protection Tax

According to the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護税法) (the "**EPT Law**") promulgated by the SCNPC on 25 December 2016, last revised on 26 October 2018 and became effective on the same day, enterprises discharge taxable pollutants such as air pollutants, water pollutants, solid waste and noise shall file and pay environmental protection tax to the authorities on a quarterly basis from 1 January 2018 based on the List of Items and Amounts of Environmental Protection Tax (環境保護税税目税額表) and the List of Taxable Pollutant and Relevant Equivalent under the Environmental Protection Law (應税污染物和當量值表). The environmental protection tax will be collected and managed by tax authorities in accordance with the Law of the PRC on the Administration of Tax Collection (中華人民共和國税收徵收管理法) and the EPT Law, and the environmental protection tax shall be collected instead of the pollutant discharge fees after the EPT Law takes effect.

Withholding Income Tax

According to the EIT Law and the EIT Regulation, dividends generated after 1 January 2008 and dividends payable by foreign enterprises in the PRC to foreign investors shall be subject to a 10% withholding tax unless a tax treaty with different withholding tax arrangements has been made between the PRC and the jurisdiction where any of those foreign investors are registered. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the

Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) issued by the SAT on 21 August 2006, if the shareholders are Hong Kong residents holding at least 25% of the registered capital of the PRC company, a withholding tax rate of 5% applies to any dividends declared by the PRC company, or if the shareholders are Hong Kong residents holding less than 25% of registered capital, a withholding income tax rate of 10% applies. According to Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (國家稅務總局公告2015年第60號—關於發布非居民納稅人享受稅收協定待遇管理辦法的公告) effective on 1 November 2015, and last revised on 15 June 2018, the withholding tax rate of 5% does not automatically apply. To enjoy the treatment of tax treaties on the dividend clause of the tax treaty, an enterprise shall apply to the local competent tax authorities for approval.

EIT for Indirect Transfer of Properties by Non-resident Enterprise

Pursuant to the Announcement on Several Issues concerning EIT on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) issued by the SAT on 3 February 2015, last revised on 29 December 2017 and became effective on the same day, an indirect transfer by a non-resident enterprise of its properties, such as equity investments in a PRC resident enterprise by implementing arrangements without reasonable commercial purposes to evade the EIT, shall be re-defined and recognised as a direct transfer of equity interest in a PRC resident enterprise and other properties.

Transfer Pricing Adjustment

According to the EIT Law and the EIT Regulation, where a transaction between an enterprise and its affiliated enterprises fails to comply with the independent transaction principle, and reductions are made to the taxable income or the amount of income of the enterprise or its affiliated enterprises, the tax authorities have a right to make adjustments according to a reasonable method within 10 years from the tax year in which the transaction occurs. If the tax authorities have made tax adjustments and the taxpayer is required to make up outstanding tax payments, the additional tax amount shall be levied and collected with interest pursuant to the provisions of the State Council.

According to the Announcement of the SAT on Promulgation of the Administrative Measures on Special Tax Investigation, Adjustment and Mutual Agreement Procedure (國家稅務總局關於發佈《特別納稅調查調整及相互協商程序管理辦法》的公告) promulgated by the SAT on 17 March 2017 and partly revised on 15 June 2018, the tax authorities shall focus on enterprises with the following risk characteristics while implementing special tax investigation: (i) enterprises with large transaction amount of affiliated transactions, or varied types of affiliated transactions; (ii) enterprises with long-term losses, low profits or non-linear profits; (iii) enterprises with profit lower than the industry's level; (iv) enterprises whose profit level does not match the functional risks they perform, or whose earnings shared do not match the costs shared; (v) enterprises which carry out affiliated transactions with affiliated parties located at low tax countries (or regions); (vi) enterprises which fail to declare affiliated transactions or prepare contemporaneous documentation pursuant to the provisions; (vii) enterprises whose ratios of debt investments and equity investments accepted from the affiliated parties exceed the stipulated standards; (viii) an enterprise controlled by a resident enterprise or by a resident enterprise and a Chinese resident which is established in a country (or region) with actual tax burden lower than 12.5% does not distribute profit or reduces profit distribution for reasons other than reasonable needs for business operation; or (ix) implements other tax planning or arrangements which do not have a reasonable business purpose.

PRC LAWS AND REGULATIONS RELATING TO LABOUR

Labour Law

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) issued by the SCNPC on 29 June 2007, last revised on 28 December 2012 and became effective on 1 July 2013, requires every employer to enter into a written contract of employment with each of its employees. No employer may force its employees to work beyond the time limit and each employer must pay overtime compensation to its employees. The wage of each employee is to be no less than the local standard on minimum wages. According to the Labour Law of the PRC (中華人民共和國勞動法) issued by the SCNPC on 5

July 1994, last revised on 29 December 2018 and became effective on the same day, every employer must ensure workplace safety and sanitation in accordance with national regulations and provide relevant training to its employees.

Social Insurance and Housing Provident Funds

In accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) issued by the SCNPC on 28 October 2010, last amended on 29 December 2018 and became effective on the same day, as well as other relevant provisions, an employee shall participate in five types of social insurance funds, including pension, medical, unemployment, maternity and occupational injury insurance. The premiums for maternity insurance and occupational injury insurance are paid by the employer, while the premiums for pension insurance, medical insurance and unemployment insurance are paid by both the employer and the employee. If the employer fails to fully contribute to social insurance funds on time, the collection agency for such social insurance may demand the employer to make full payment or to pay the shortfall within a set period and collect a late charge. If the employer fails to pay after the due date, the relevant government administrative body may impose a fine on the employer.

In accordance with the Regulation on the Administration of Housing Provident Funds (住房公積金管理條例) issued by the State Council on 3 April 1999, last revised on 24 March 2019 and became effective on the same day, an employer must register with the competent managing centre for housing funds and shall contribute to the Housing Provident Fund for any employee on its payroll. Where an employer fails to pay up housing provident funds within the prescribed time limit, the employer may be fined and ordered to make payment within a certain period.

LAWS AND REGULATIONS RELATING TO THE CHEMICAL INDUSTRY IN THE PRC

The Regulations on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例) (the "**Hazardous Chemical Regulations**") were issued by the State Council on 26 January 2002, last revised on 7 December 2013 and became effective on the same day, which stipulate administrative and supervisory rules for the safety production, storage, use, operation and transportation of hazardous chemicals. Hazardous chemicals include hyper-toxic and other hazardous chemicals that are toxic, corrosive, explosive, flammable or accelerative, and which damage human health, facilities or the environment. The relevant government authorities will issue and adjust the Catalogue of Hazardous Chemicals (危險化學品目錄) from time to time. Enterprises engaging in the production of hazardous chemicals must, prior to the commencement of production, obtain a Safety Production Permit (危險化學品安全生產許可證) for hazardous chemicals.

The safety conditions of newly built, reconstructed or expanded construction projects for the production and storage of hazardous chemicals are subject to the examination of the work safety administrative department. In the event that an enterprise undertaking such construction projects fails to do so, the relevant work safety administrative department shall order the concerned party to discontinue the construction process and make corrections within a specified time limit.

The Regulations on Work Safety Permits (安全生產許可證條例) were issued by the State Council and became effective on 13 January 2004, last revised on 29 July 2014 and became effective on the same day. The Measures for Implementation of Work Safety Licenses of Hazardous Chemical Production Enterprises (危險化學品生產企業安全生產許可證實施辦法) were formulated according to the Regulations on Work Safety Licenses and the related laws and regulations, which were issued by the State Administration of Work Safety (the "**SAWS**", predecessor of the Ministry of Emergency Management) on 17 May 2004, last revised on 6 March 2017 and became effective on the same day. According to the aforesaid regulations and measures, an enterprise which engages in the production of final products or intermediate products as listed in the Catalogue of Hazardous Chemicals must obtain a Safety Production Permit for hazardous chemicals prior to its commencement of production of hazardous chemicals.

According to the Measures for the Administration of Registration of Hazardous Chemicals (危險化學品登記管理辦法), which was issued by the State Economic and Trade Commission (now the MOFCOM) on 8 October 2002, last revised by the SAWS on 1 July 2012 and became effective on 1 August 2012, a newly established hazardous chemicals production enterprise shall undergo the formalities for the registration of hazardous chemicals before the completion and acceptance of projects. A Hazardous Chemicals Registration Certificate is valid for three years. A Hazardous Chemicals

Registration Certificate should set out particulars such as the nature of the enterprise (a hazardous chemicals producer, a hazardous chemicals exporter or a hazardous chemicals producer and exporter), the registered products and the validity period.

According to the Interim Provisions on the Supervision and Management of Major Hazard Sources of Dangerous Chemicals (危險化學品重大危險源監督管理暫行規定) issued by the SAWS on 5 August 2011, last revised on 27 May 2015 and became effective on 1 July 2015, an enterprise which engages in the production, storage, use and operation of hazardous chemicals should make identification, safety assessment, safety evaluation and grading of its major hazards; set up a sound safety monitoring and controlling system; formulate an emergency plan for major hazards accidents; register the identified major hazards item by item in a timely manner and file with the local work safety administrative department at the county level.

Pursuant to Regulation on the Administration of Precursor Chemicals (易製毒化學品管理條例) issued by the State Council on 26 August 2005, last revised on 18 September 2018 and became effective on the same day, the state adopts the classified administration and a licensing system for the production, operation, purchase, transportation and import and export of precursor chemicals. An entity that purchases any precursor chemicals in Category II or III shall, before the purchase, report the variety and quantity in demand to the public security organ of the local people's government at the county level for archival filing.

PRC LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Work Safety Law of the PRC (中華人民共和國安全生產法) issued by the SCNPC on 29 June 2002, last revised on 31 August 2014 and became effective on 1 December 2014, production and operation entities must comply with the relevant work safety laws and regulations. Enterprises should establish relevant work safety rules, perfect the conditions for safe production, and ensure safety during production. Enterprises that do not meet the requirements for safe production are prohibited from engaging in production or other business activities. An entity engaged in mining, metal smelting, building construction, or road transportation or an entity manufacturing, marketing, or storing hazardous substances shall establish a work safety management body or have full-time work safety management personnel. Any business entity other than those abovementioned shall establish a work safety management body or have full-time work safety management personnel if the number of its employees exceeds 100; or shall have full-time or part-time work safety management personnel if the number of its employees is 100 or less. Where an enterprise fails to comply with the relevant work safety requirements, it may be subject to fines and ordered to discontinue production. Where a crime is constituted, the person in charge of the enterprise may be subject to criminal liabilities.

Pursuant to Measures for the Safety Supervision and Administration of Hazardous Chemical Construction Projects (危險化學品建設項目安全監督管理辦法) issued by the SAWS on 30 January 2012, became effect on 1 April 2012, and last revised on 27 May 2015 and became effective on 1 July 2015, newly built, reconstructed or expanded construction projects for the production or storage of hazardous chemical materials, as well as chemical construction projects which generate hazardous chemical materials, are subject to safety examinations. Where a construction project has not passed the safety examination and as-built acceptance check of its safety facilities, the construction of it may not commence or it may not be put into production (or put to use).

Pursuant to the Special Equipment Safety Law of the PRC (中華人民共和國特種設備安全法), which was issued by the SCNPC on 29 June 2013 and became effective on 1 January 2014, special equipment users shall use special equipment produced with a permit and passing inspection. Special equipment users shall, before or within 30 days after putting special equipment to use, register the use with the department responsible for special equipment safety supervision and administration, obtain a use registration certificate, and place the registration mark in a conspicuous position of the special equipment. A special equipment user shall, according to the requirements of safety technical specifications, file a request for regular inspection with a special equipment inspection agency one month before the period of validity of its inspection certificate expires.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) issued by the SCNPC on 13 September 1979, effective on the same date and last revised on 24 April 2014 and became effective on 1 January 2015, the construction of projects that cause environmental pollution

shall comply with the requirements of the environmental protection administration for the respective construction projects. Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned simultaneously with the principal project. The PRC Government implements the pollution discharge license management system in accordance with the law. Enterprises, public institutions and other producers and operators that implement the pollution discharge license management shall discharge pollutants in accordance with the requirements of the pollution discharge license; those that fail to obtain the pollution discharge license shall not discharge pollutants.

Pursuant to the Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法) issued by the SCNPC on 28 October 2002 and last revised on 29 December 2018 and became effective on the same day, a construction entity shall, based on the Classified Administration Catalogue for Environmental Impact Assessment of Construction Projects (建設項目環境影響評價分類管理名錄) issued by the Ministry of Ecology and Environment, carry out procedures for its construction project in accordance with the following stipulations: (i) if the environmental impact is potentially significant, it shall produce a report with an all-round assessment of the environmental impacts; (ii) if the environment impact is expected to be slight, it shall produce a report to include an analysis or special assessment of the environmental impacts; and (iii) if the environment impact is expected to be minor it should submit a registration form on the environmental impacts, and it is not necessary to conduct an assessment. Where the environmental impact assessment document of a construction project fails to undergo the examination of the approval department in accordance with the law or is disapproved after examination, the construction entity shall not commence construction.

Pursuant to the Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) issued by the State Council on 29 November 1998, last revised on 16 July 2017 and became effective on 1 October 2017, the evaluation of environmental effects of construction projects shall be conducted prior to the construction. Based on the extent of effects to the environment, the construction unit shall submit to the relevant administrative departments of construction protection the report on the environmental effects or the report form for the environmental effects, which shall be prepared by institutions with corresponding qualifications, or the registration form for the environmental effects as stipulated and obtain approvals from such administrative departments. Environmental protection facilities shall be designed, built and put into operation together with the main body of the construction project. Upon completion of the construction projects, the construction units shall apply to the administrative departments of environmental protection for acceptance check of the environmental protection facilities before the construction projects can be put into operation.

Pursuant to the Circular on Issuing the Implementing Proposals for the Reform of Environmental Impact Assessment during the 13th Five-Year Plan Period (「十三五」環境影響評價改革實施方案) issued by the Ministry of Environmental Protection (predecessor of the Ministry of Ecology and Environment) on 15 July 2016, the requirement of administrative permission for completion and acceptance of environmental protection (環保竣工驗收行政許可) is explicitly cancelled, and it is required to establish a management mechanism for transition among environment impact assessment, the "Three-Simultaneity" (三同時), including simultaneously design, construct, and use the environmental protection facilities with the principal part of a construction project and the emission approval. The relevant requirements for pollutant emission control in the environmental impact assessment document and its official reply are set out in pollutant discharge license. Before a construction project is put into operation, the construction unit shall, based on the environmental impact assessment document and its approval opinion, entrust a third party body to prepare a completion and acceptance report for environmental protection facilities of the construction project for disclosing to the public and filing with environmental protection department.

Pursuant to the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (中華人民共和國固體廢物污染環境防治法), which was issued by the SCNPC on 30 October 1995, last revised on 7 November 2016 and became effective on the same day, construction projects where solid waste will be generated or projects for the storage, utilisation or treatment of solid waste shall be subject to environmental impact assessment according to law. The necessary supporting facilities for the prevention and control of environmental pollution by solid wastes as specified in the statement of the environmental effect of the construction project shall be designed, constructed and put to use in production simultaneously with the body of the project. No construction projects shall be

permitted to be put into operation or to use before its facilities for the prevention and control of environmental pollution by solid wastes have been inspected and accepted by the competent environmental protection administrative authorities.

PRC LAWS AND REGULATIONS RELATING TO CUSTOMS, IMPORTS AND EXPORTS

In accordance with the Customs Law of the PRC (中華人民共和國海關法) issued by the SCNPC on 22 January 1987, last revised on 4 November 2017 and became effective on 5 November 2017, recipients and senders of imported and exported goods completing customs declaration formalities must register with the Customs in accordance with the laws. In accordance with the Administrative Provisions for Registration of Customs Declaration Agents of the PRC (中華人民共和國海關報關單位註冊登記管理規定), which was issued by the General Administration of Customs of the PRC on 13 March 2014, last revised on 29 May 2018 and became effective on 1 July 2018, after registration with customs, recipients and senders of imported and exported goods may complete customs declaration formalities at customs territory ports or at the centralised customs surveillance place within the territory of the PRC.

In accordance with the Import and Export Commodity Inspection Law of the PRC (中華人民共和國進出口商品檢驗法) promulgated by the SCNPC on 21 February 1989, last revised on 29 December 2018 and became effective on the same day, as well as its implementation ordinance, recipients and senders of imported and exported goods may complete the **[REDACTED]** of customs inspection by themselves or authorise an agent to complete this procedure. The government maintains a documentary record and registration system for **[REDACTED]** of customs inspection completed by the recipient and sender of imported and exported goods by themselves. The recipient and sender of imported and exported goods completing quarantine formalities must submit documentary records to the relevant entry and exit quarantine inspection body in accordance with the laws.

In accordance with the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) issued by the SCNPC on 12 May 1994, last revised on 7 November 2016 and became effective on the same day, foreign trading enterprises engaged in the import and export of goods or the technology shall register with and submit documental record to the responsible foreign trade department under the State Council or governmental body authorised by the State Council. Customs shall not process customs declarations submitted by foreign trading enterprises not registered in accordance with the laws.

HONG KONG LAWS AND REGULATIONS RELATING TO TRADE

Sale of goods

Under the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong), where the seller sells goods in the course of a business, the following terms are implied:

(a) that the goods supplied are of merchantable quality;

(b) if the buyer makes known to the seller the purpose for which the goods are being bought, that the goods are reasonably fit for that purpose;

(c) if the contract is a sale of goods by description, that the goods shall correspond with the description; and

(d) if the contract is a sale by sample, that the bulk shall correspond with the sample in quality, that the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and that the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

The Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) provides that where the other party deals as consumer, liability for breach of the above implied terms cannot be excluded or restricted. Where the other party does not deal as consumer, such liability may be excluded or restricted by reference to a contractual term insofar as the term satisfies the requirement of reasonableness.

Inland Revenue Ordinance

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), for a company carrying on a trade, profession or business in Hong Kong, its assessable profits arising in or derived from Hong Kong shall be chargeable to profits tax.

Where transactions between associated persons involve actual provision which is different from the provision which would have been made in arm's length transaction, and such provision confers an advantage on one of the parties in relation to Hong Kong tax, then the income or loss of that person should be computed on the basis of the arm's length amount. If the income or loss reported in the tax return is different from the arm's length amount, tax will be assessed on the basis of the arm's length amount, and additional tax not exceeding the tax payable may be imposed.

The Inland Revenue Ordinance also provides for the obligation to do the followings:

(a) to keep sufficient records of the company's income and expenditure to enable the assessable profit to be readily ascertained for at least 7 years;

(b) to inform the Inland Revenue Department of its chargeability to tax;

(c) to submit tax return as required; and

(d) to inform the Inland Revenue Department of the commencement and cessation of employment of its employees.

U.S. LAWS AND REGULATIONS RELATING TO OUR PRODUCTS

During the Track Record Period, we had no material business activities in the United States other than the sales of our products to certain trading companies and one manufacturer located in the United States. Our sales activities in the United States are subject to certain applicable federal and state laws and regulations. The following paragraphs set out a summary of such laws and regulations with the most significant impact on our sales to the United States, covering the aspects of: (i) customs and importation; (ii) product liability and consumer safety; and (iii) anti-dumping.

Customs and importation

Customs clearance

The shipments of our products to the United States are subject to customs inspection and compliance. Although the importation of certain classes of merchandise may be prohibited or restricted to protect the economy and security of the United States, to safeguard consumer health and well-being, or to preserve domestic plant and animal life, these restrictions are not likely to impact importation of our tantalum- and niobium-based metallurgical products. Customs clearance, however, is required for all types of imports, including those made by mail and those placed in foreign trade zones. Thus, U.S. customs laws and regulations may, for example, prohibit entry, limit entry to certain ports, and restrict routing, storage or use. Alternatively, they may require additional steps to be taken, such as treatment, labelling or processing, and customs clearance is given only if these additional requirements are met.

The Bureau of Customs and Border Protection (the "**CBP**"), which is part of the U.S. Department of Homeland Security, is responsible for enforcing all laws and regulations applicable to the importation of carriers and commodities. Imported goods are not considered having legally entered into the United States until (i) the shipment has arrived at the port of entry; (ii) delivery of the goods has been authorised by the CBP; and (iii) the estimated tariff has been paid.

The U.S. Customs Modernisation Act (19 U.S.C. §§1508, 1509 and 1510) established the legal requirement that parties exercise "reasonable care" when importing goods into the United States. Every importer of record has a duty to provide the CBP with accurate information regarding the admissibility, tariff, classification, value, and origin of the imported goods. The importer is also responsible for providing any other documentation or information necessary to enable the CBP to determine whether all legal requirements have been met. The goods must bear markings of the country-of-origin, in English, which identify where the product is made. The importers must properly mark and number the packages in which goods are contained, list each package's contents on the invoice, and place marks and numbers on the invoices that correspond to those packages.

Every good imported into the United States must be assigned a tariff classification under the Harmonised Tariff Schedule of the United States (the "**HTSUS**"). The HTSUS dictates the applicable rate of duty applied to that product upon importation into the United States. The classification of a product is also a key factor in determining whether it is subject to quotas, restraints, embargoes or other restrictions, or whether it is entitled to special tariff preferences.

Chapter 81 of Section XV "Other base metals; cermets; articles thereof", Chapter 26 of Section V "Ores, slag and ash", and Chapter 28 of Section VI "Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes" of the HTSUS provide the classification and tariff rates applicable to tantalum- and niobium-based metallurgical products. As we are not deemed to be the importer of record for exports of our products, the obligation to comply with laws relating to export/import customs and tariffs is borne by our customers rather than our Group.

Customs duties

All goods imported into the United States are either subject to duty, or duty free, depending on their classification under the HTSUS. When goods are dutiable, ad valorem, specific or compound rates may be applicable:

- An ad valorem rate is a percentage of the value of the merchandise and is the type most often applied.
- A specific rate is a specified amount per unit of weight or other quantity.
- A compound rate is a combination of both an ad valorem rate and a specific rate.

Rates of customs duty for imported merchandise may also vary depending upon the country of origin. Most merchandise is dutiable under normal trade relations. Duty free status is available under various exemptions, such as Generalised System of Preference, Free Trade Agreements, preference programme beneficiaries, and other exemptions listed in Chapter 98 of the HTSUS.

There are a number of provisions under the U.S. trade law which may allow or result in modification of these duties. While provisions that were specific to PRC exporters have now expired, (see 19 U.S.C. §§ 2451, 2451a, 2451b(c)), Section 201 of the Trade Act of 1974, 19 U.S.C. § 2101 et. seq. (the "**Trade Act**") permits the President of the United States to grant temporary import relief by raising import duties or imposing non-tariff barriers, such as quotas, on goods entering the United States that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorises the President of the United States to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practise of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce. It is not required that the U.S. Government wait until it receives authorisation from the World Trade Organisation to take enforcement actions.

There have been a number of statements made by the U.S. government surrounding the imposition of significant tariffs on products imported to the United States from China, and vice versa. In particular, the U.S. government has imposed increased tariffs of up to 25% on certain products to be imported from the PRC, which were initially announced on 18 September 2018, and came into effect on 10 May 2019. The list of products that may be subject to these increased tariffs (the "**Product List**") has been published in the U.S. and is publicly available. Certain of our products are on the Product List. However, our Group's products are exported to our customers in the U.S. through shipment on a FOB or CIF basis. Therefore, our Group will not be the party responsible for the payment of any such tariffs. However, if these products, or any other products we manufacture or import to the U.S. become subject to the increased tariffs, it could make our products less price competitive in the U.S. market. This could adversely impact our revenues from U.S. sales. For details, please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — Increased import tariffs imposed by the United States could adversely impact our export sales revenue." in this document.

Product liability and consumer safety

Product liability law is generally not regulated by the U.S. federal law, but by state laws (both state common law and state statutory law), which vary among the 50 states. However, the laws of most states share the similarity of recognising three types of product defects: (i) manufacturing defects; (ii) design defects; and (iii) failure to warn. Parties involved in manufacturing, distributing or selling a product with any of the three defects may be liable, under a theory of negligence or strict liability, for damages caused by harm to the plaintiff's person or property other than the product itself. While liability for negligence typically arises from a defendant failing to exercise reasonable care, strict liability can attach even if a defendant did not act negligently in manufacturing or distributing the defective product at issue. In addition, an injured person may assert other product-related theories, including breach of express or implied warranty, consumer fraud, or other statutory claims. Some of these theories, such as breach of express or implied warranty, permit recovery for damage to the product itself. As with strict liability, liability for breach of warranty does not necessarily require that the defendant acted negligently; rather, a plaintiff typically may recover upon showing that a warranty existed, extended to cover the plaintiff, applied to the product at issue, and was breached, thereby causing injury to the plaintiff.

In order for a U.S. court to adjudicate product liability or other claims against a particular defendant, it must have personal jurisdiction over that defendant. Determining whether personal jurisdiction exists is a fact-dependent analysis that varies from case to case. Unless a defendant has consented to a court's jurisdiction, the outcome of the analysis generally depends on the nature and extent of the defendant's contacts with the forum in which the court sits.

While the United States has extensive laws and regulations that relate to consumer product safety, these laws and regulations generally are not material to our operations as we sell our products to trading companies and manufacturers but not ultimate consumers.

Anti-dumping

There are many trade laws in the United States that address the issue of imports that may injure or threaten U.S. industries. Under the anti-dumping laws (Title VII of the Tariff Act of 1930), the U.S. International Trade Commission ("**USITC**") can investigate whether dumping or subsidisation occurs to products brought into the U.S. market.

Whether an item is being dumped is assessed on the basis of whether it is being sold at less than fair value in the United States. This means that it is being sold below the producer's sales price in its home market, or below the cost of production. Subsidisation occurs when a government provides countervailable financial assistance to benefit the production, manufacture and/or export of a good.

There is first an assessment made by the Commerce Department of the United States on whether dumping or subsidisation has occurred, together with a calculation of the estimated margin of dumping or amount of subsidy, and then the USITC is called upon to determine whether or not there is a material injury or threat to U.S. industry. If such threat is established, the Commerce Department of the United States will issue an anti-dumping duty and/or a countervailing duty order. When such order is imposed, the CBP is instructed to impose special duties on products subject to the order at the time of their import. After the order has been issued, there is an automatic "sunset" review, which takes place no later than five years after the order is issued. The review is conducted to assess whether a revocation of the order would lead to the continuation or recurrence of dumping or subsidies and that of material injury within a reasonably foreseeable time.

In addition to anti-dumping and subsidisation investigations, the USITC may conduct a special China safeguards investigation. The USITC will determine whether articles imported from China are in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. If the USITC makes an affirmative determination, it proposes a remedy. The USTIC sends its report to the President of the United States and the U.S. Trade Representative. The President of the United States makes the final remedy decision.

As we are not currently the importer of record, we are not liable for compliance with the U.S. anti-dumping and countervailing duty orders applicable to our products.

EU LAWS AND REGULATIONS RELATING TO OUR PRODUCTS

Product Safety and Product Liability

Product safety

Products placed on the market in the EU are subject to general safety requirements. These requirements are included in directive 2001/95/EC of the European parliament ("**European Parliament**") and of the council of the European Union ("**Council**") of 3 December 2001 on general product safety ("**EU GPSD**"). It is important to note that the EU GPSD only applies to products that are intended for consumers or likely, under reasonably foreseeable conditions, to be used by consumers even if not intended for them.

According to the EU GPSD, only safe products may be placed on the market. This is the case when such product conforms to the specific rules of the national law of the member state of EU ("**Member State**") in whose territory the product is marketed or imported, or when it conforms with the European standards if such a standard is drawn up.

In addition, producers must:

(a) provide consumers with the necessary information so they can assess a product's inherent threat during their normal or expected product usage period, especially when this is not obvious; and

(b) take the necessary measures to avoid such threats, including but not limited to, withdraw products from the market, inform consumers, use labels, and recall products that have already been supplied to consumers.

Furthermore, distributors must:

(a) monitor the safety of products on the market and refuse to distribute products if they know these products are non-compliant; and

(b) provide the necessary documents ensuring that the products can be traced.

If the producers or distributors discover that a product is dangerous, they must notify the competent authorities and, if necessary, cooperate with them.

The EU GPSD does not apply to us, because we do not sell our products to consumers, nor do we sell them as an end product. As our customers purchase the products and import them into the EU, these customers are qualified as "producer" within the meaning of the EU GPSD and must therefore bear the obligations under the EU GPSD.

Product liability

The directive of the Council of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (85/374/EEC) ("**Product Liability Directive**") lays down the principle that the producer of a product is liable for the damage that was caused by a defect in its product.

A product is defective if it fails to provide the safety which a person is entitled to expect, taking into account all circumstances, including the presentation of the product, the reasonable use of the product, and the time when the product was put into market circulation. The injured person carries the burden of proof. He or she must prove:

(a) the actual damage;

(b) the defect in the product; and

(c) the causal relationship between the damage and the defect.

However, he or she does not have to prove the negligence or fault of the producer or importer. The producer would only not be held liable if it proves that:

(a) it did not put the product into circulation;

(b) the defect appeared after the product was put into circulation;

(c) the product was not manufactured to be sold or distributed for profit;

(d) the product was neither manufactured nor distributed during its business;

(e) the defect is caused by the product's compliance with mandatory regulations specified by the public authorities;

(f) the state of scientific and technical knowledge at the time when the product was put into circulation was insufficient to identify the defect (at that time); and

(g) the defect of a component was caused during the manufacture of the final product.

We could, as a producer, ultimately be held liable for the damage caused by a defective end product, as we are the producer of a component part of the end product. We consider this risk to be remote since we are not necessarily known to the end customer.

EU REACH regulation

The EU Regulation (EC) No. 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the registration, evaluation, authorisation and restriction of chemicals ("**REACH**"), establishing a European chemicals agency addresses the production and use of chemical substances and their potential impacts on human health and environment.

REACH imposes on importers and manufacturers a duty to register chemical substances and is introduced gradually, depending on the nature and the imported and/or manufactured amount of the substance. Depending on the nature and the imported and/or manufactured amount of the substance, registration was due before 1 December 2010, 1 June 2013, or 1 June 2018. Article 5 of REACH states that substances on their own, in preparations, or in articles may not be manufactured in the EU or placed on the market unless they have been registered in accordance with the relevant provisions of REACH.

REACH imposes specific obligations on manufacturers/importers of substances or preparations, suppliers of substances or preparations, downstream users, producers/importers of articles, and suppliers of articles. The obligations imposed on an economic actor by REACH are determined by its respective activities. Consequently, an economic actor that performs distinct activities will have different obligations depending on each activity.

The question whether one's activities are to be considered as a use of substances or preparations as opposed to the production of articles has important implications on the obligations under REACH.

According to the information available on the ECHA website, tantalum- and niobium-based metallurgical products, including but not limited to tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, have been subject to full registration, which means that the tantalum- and niobium-based metallurgical products can, in principle, be placed on the EU market.

CLP Regulation

The purpose of EU Regulation No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures ("**CLP Regulation**") is to ensure a high level of protection of health and the environment by:

(a) harmonising the criteria for classification of substances and mixtures, and the rules on labelling and packaging for hazardous substances and mixtures;

(b) providing an obligation for:

(i) manufacturers, importers and downstream users to classify substances and mixtures placed on the market;

(ii) suppliers to label and package substances and mixtures placed on the market; and

(iii) manufacturers, producers of articles and importers to classify those substances not placed on the market that are subject to registration or notification under REACH;

(c) providing an obligation for manufacturers and importers of substances to notify the European Chemicals Agency ("**ECHA**") of such classifications and label elements if these have not been submitted to the ECHA as part of a registration under REACH;

(d) establishing a list of substances with their harmonised classifications and labelling elements at union level in Part 3 of Annex VI to the CLP Regulation; and

(e) establishing a classification and labelling inventory of substances, which is made up of all notifications, submissions and harmonised classifications and labelling elements referred to in points (c) and (d).

The CLP Regulation thus imposes distinctive obligations on manufacturers, importers or downstream users of certain substances, mixtures or articles.

According to the ECHA website, the CLP Regulation applies to at least some of our products. Since we are established outside of the EU and do not qualify as a manufacturer, an importer or downstream user, we do not have direct obligations under the CLP Regulation.

Conflict Minerals Regulation

Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017 laying down supply chain due diligence obligations for EU importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas ("**Conflict Minerals Regulation**") lays down rules for companies importing certain minerals (such as tantalum) or products containing these minerals from "*conflict-affected*" or "*high-risk*" areas.

Conflict-affected and high-risk areas means areas in a state of armed conflict or in a fragile post-conflict situation as well as areas witnessing weak or non-existent governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses.

Annex I of the Conflict Minerals Regulation lists the mineral and metals to which the Conflict Minerals Regulation applies. Based on our activities, the following are relevant:

- tantalum or niobium ores and concentrates;
- tantalum, unwrought including bars and rods, obtained simply by sintering; powder;
- tantalum bars and rods, other than those obtained simply by sintering, profiles, wire, plates, sheets, strip and foil, and other.

The Conflict Minerals Regulation requires EU companies, importing certain minerals and metals to perform a supply chain due diligence, i.e. an obligation to set up a management system with a view to identifying and addressing actual and potential links to conflict-affected and high-risk areas to prevent or mitigate adverse impacts associated with their sourcing activities. Briefly put, EU importers must check whether the minerals or metals have not been produced in a way that funds conflict or other related illegal practices.

The Conflict Minerals Regulation only applies to EU importers. As such, it will not apply to us. However, EU importers will be required to identify the smelters and refiners in their supply chain and check whether they have the correct due diligence practices in place. Indirectly, EU importers purchasing tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate from us will have to identify us and check whether we have a correct due diligence in place, insofar we export the minerals and metals, listed in annex I of the Conflict Minerals Regulation.

Taxes

Customs duties

The EU is a customs union which covers all trade in goods and which involves the prohibition between Member States of customs duties on imports and exports and of all charges having equivalent effect, and the adoption of a common customs tariff in their relations with third countries.

The Union Customs Code lays down the general rules and procedure applicable to goods brought into or taken out of the customs territory of the union. This code applies uniformly throughout the customs territory of the union.

Import duties are applied on the basis of the three following factors:

(a) the classification of the imported products and the corresponding tariff;

(b) the origin of the imported products; and

(c) the value of the imported products.

Tariff classification of goods

Duties legally owed where a customs debt is incurred are based on the customs tariff of the European communities ("**Common Customs Tariff**"). The Common Customs Tariff comprises, amongst others, the combined nomenclature of goods laid down in Annex 1 to the Regulation (EEC) No 2658/87 ("**Combined Nomenclature**"). For the application of the Common Customs Tariff, tariff classification of goods consists in the determination of one of the subheadings or further subdivisions of the Combined Nomenclature under which those goods are to be classified. The Combined Nomenclature subheading stated in declarations for imported goods determines which rate of customs duties applies. Every year, Annex 1 to the Regulation is updated and published.

Since the completion of the internal market, goods can circulate freely between Member States. The Common Customs Tariff therefore applies to the import of goods across the external borders of the EU.

The tariff is common to all Member States and the rates depend on the economic sensitivity of products.

The classification of goods serves other purposes than the determination of the appropriate rate of customs duties. It also indicates which other commercial policy measures apply.

The Combined Nomenclature is divided into sections, which are themselves divided into chapters, sub-chapters, headings, subheadings and further subdivisions.

The conventional rates of duty can be found in the third column of the table of Annex 1 of the Regulation (EEC) No 2658/87. The subheadings and headings pertaining to tantalum- and niobium-based metallurgical products are the following:

- In Chapter 26 "Ores, slag and ash" from Section V "Mineral products", the heading 2615;
- In Chapter 28 "Inorganic Chemicals: organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes" from Section VI "Products of the chemical or allied industries", the heading 2849.90.50; and
- In Chapter 81 "Other base metals; cermets; articles thereof" from Section XV "Base metals and articles of base metals", the headings 8103 and 8112.

Origin of the imported products

For customs purposes, the origin of goods can be non-preferential or preferential.

Preferential measures are contained: (i) in agreements which the EU has concluded with certain countries outside the customs territory; or (ii) in instruments adopted unilaterally by the EU in respect of certain countries outside the customs territory. Preferential origin means that a more favourable customs regime is applied to the originating products of those countries where bilateral agreements or unilateral

instruments are in force. The application of these preferential measures implies that customs duties have a lower impact on transactions. The rules of preferential origin therefore serve the purpose of limiting customs preferences contained in relevant agreements only to the originating products of those countries benefiting from a preferential treatment. Conversely, the rules of non-preferential origin apply to the other commercial policy measures that are not aimed at applying preferential commercial measures, but discriminatory trade defence instruments. In order to benefit from the preferential tariff measures contained in the agreements which the EU has concluded, goods have to comply with the rules on preferential origin laid down in these agreements.

The rules of non-preferential origin are applied to all import transactions of products coming from those countries that do not have a tariff agreement with the EU. When goods of non-preferential origin are imported within the EU, all applicable customs duties have to be paid and other discriminatory trade defence instruments can be applied.

The International Convention on the Simplification and Harmonisation of Customs Procedures, or the Kyoto Convention signed on 18 May 1973, which was accepted on behalf of the EU community by Council Decision 77/415/EEC of 3 June 1977, contains the general principles on the application of the rule of non-preferential origin.

Value of products for customs purposes

Most customs duties are expressed as a percentage of the value of goods being declared for importation, in other words, ad valorem-duties. Thus, it is necessary to dispose of a standard set of rules for establishing the goods' value, which will then serve for calculating the customs duty.

The primary basis for determining the value of goods is the transaction value, namely the price actually paid or payable for the goods when sold for export to the customs territory of the EU.

Where it is not possible to apply the transaction value, there are four alternative methods of establishing the customs value, taking into consideration that each of them can be applied only where the prior one is inadequate:

- the value of identical goods;
- the deductive value;
- the computed value; and
- the value based on the date available in the EU.

Value added tax

The value added tax in the EU ("**European VAT**") is a general tax on consumption exactly proportional to the price of the goods and services, however many transactions take place in the production and distribution process before the stage at which the tax is charged.

The Council directive 2006/112/EC of 28 November 2006 ("**EU VAT Directive**") sets the general principles of the common system of European VAT which the EU countries implement in their national legislation.

Taxable transactions

According to the EU VAT Directive, the four following transactions are subject to European VAT:

- the supply of goods within the territory of a Member State of the EU;
- the intra-community acquisition of goods within the territory of a Member State;
- the supply of services within the territory of a Member State; and
- the importation of goods.

For European VAT purposes, a company imports goods when it brings goods that originate outside the EU, or third countries, into the EU.

Place of taxable transactions

Import-VAT is due in the Member State where the goods are cleared for import.

If the purchaser is a taxable person for European VAT purposes with the right to deduct European VAT incurred on goods or services received, the import-VAT is normally recovered through the purchaser's periodical European VAT return in that country, as opposed to irrecoverable customs duties, which are considered as a cost. In its periodical European VAT return a taxable person will have to declare the amount of European VAT payable on supplies of goods or services it has made, and it will deduct from that amount of European VAT payable the European VAT that was incurred on goods or services received. The deduction system is intended to relieve the trader entirely of the burden of the European VAT payable or paid in the course of all his economic activities and ensures complete neutrality of taxation of all economic activities, whatever their purpose or results, provided that they are themselves subject in principle to European VAT.

Rates

The EU VAT Directive provides in its articles 93 to 130 and Annex III and IV a legal framework for the application of European VAT rates in Member States. Member States have made and continue to make wide use of the possibilities offered within this framework. As a result, the situation, in practise, is disparate and complex.

The basic rules can be described as follows:

- supply of goods and services subject to European VAT are normally subject to a standard rate of at least 15%; and
- Member States may apply one or two reduced rates of not less than 5% to goods enumerated in a restricted list.

EU TRADE RESTRICTIONS CONCERNING OUR BUSINESS ACTIVITIES

The EU has the power to impose restrictive measures between the EU and a third country under the Common Foreign and Security Policy. However, as at the Latest Practicable Date, the EU has not adopted any such restrictive measures regarding the trade between the EU and the PRC.

In addition, the EU from time to time produces a list of "crucial raw materials", containing materials that are of particular importance to the European economy and for which the EU ensures that access to these materials is adequately guaranteed, not only in the context of the negotiation of trade agreements, but also by taking action against trade-distorting measures, if necessary. The most recent edition of this list dates from 2017 and includes tantalum and niobium. However, it must be noted that the PRC is currently not the main producer (worldwide) nor the main supplier for the EU with regard to tantalum and niobium.

In the past, the EU has initiated a number of Word Trade Organisation ("**WTO**") proceedings against Chinese restrictions on the export of certain rare earth materials. Cases DS395 and DS432 were won by the EU but did not cover niobium or tantalum. A third "rare earth" case brought by the EU against the PRC at the WTO does concern, among other things, tantalum. In this case a WTO panel was established in November 2016, but it would appear things have since come to a standstill as there is no further information available concerning this case.

From the information currently available, our business activities are not affected by any EU anti-dumping or anti-subsidy duties, as there currently are no trade defence measures regarding tantalum- and niobium-based metallurgical products. There are a number of measures applicable to various steel and iron products (amongst which tungsten), but these do not involve tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate.

Furthermore, as at the Latest Practicable Date, there are no ongoing trade investigations regarding the PRC which are relevant to our business activities in respect of manufacturing and sale of tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate. There is an investigation ongoing regarding tungsten, which just as tantalum and niobium is considered a "crucial raw material" in the list of 2017, which has resulted in anti-dumping duties being levied on the import of tungsten from the PRC as an anti-dumping measure.

INTERNATIONAL SANCTIONS LAWS AND REGULATIONS

United States

Treasury regulations

OFAC is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organised under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorisation or license from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Russia/Ukraine (the comprehensive OFAC sanctions programme against Sudan was terminated on 12 October 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes. The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation. There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees. United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union

Under European Union sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

BUSINESS DEVELOPMENT OF OUR GROUP

We are a producer of tantalum- and niobium-based metallurgical products in China. Our history started on 9 May 2006, when Zhiyuan New Material (previously known as Yingde Jiata New Material Co., Ltd.* (英德佳特新材料有限公司)) was established in Yingde, Guangdong Province, the PRC as a limited liability company by Fogang Jiata and Jiata International. Zhiyuan New Material was principally engaged in the production and sale of tantalum- and niobium-based metallurgical products and had an initial registered capital of RMB12,000,000, which was contributed by Fogang Jiata and Jiata International, both of which were beneficially owned as to 100% by Mr. Wu at the time of the establishment of Zhiyuan New Material. The registered capital of Fogang Jiata and Jiata International was initially financed by the personal financial resources of Mr. Wu, who has started his career in the tantalum and niobium metallurgy industry since 1980s, and his family resources.

In 2007, Mr. Wu decided to expand the operations of Zhiyuan New Material, and therefore formed a joint venture with MACRO-LINK Cayman as a strategic investor in Zhiyuan New Material and several other companies in which Mr. Wu had interests. MACRO-LINK Cayman is an investment holding company under the control of the MACRO-LINK Group. MACRO-LINK Group included three investment holding companies, namely, MACRO-LINK International, MACRO-LINK Industrial and MACRO-LINK Holding, and several companies located in the PRC, Indonesia, Zambia and the Republic of Peru which were principally engaged in the mining industry. MACRO-LINK Group is controlled by Mr. Fu Kwan and Ms. Xiao Wenhui. For FY2018, the consolidated total revenue and total assets of MACRO-LINK Holding amounted to approximately RMB48.5 billion and RMB130.6 billion, respectively. Our Directors confirm that, to the best of their knowledge and belief after having made all reasonable enquiries, MACRO-LINK Group had complied with all material applicable laws and regulations in the relevant jurisdictions in all material respects during the Track Record Period and up to the Latest Practicable Date.

To form this joint venture of Zhiyuan New Material, Seraphim BVI, an investment holding company, was incorporated in the BVI on 26 October 2007, which acquired all the equity interest in Zhiyuan New Material from Fogang Jiata and Jiata International on 24 March 2008. The joint venture agreement in relation to the establishment of Seraphim BVI provided for the capital contribution by MACRO-LINK Cayman and stipulated, among other things, that (a) the shareholders shall share the profits and losses according to their respective shareholding percentages in Seraphim BVI; (b) MACRO-LINK Cayman was entitled to designate three directors, and Mr. Wu was entitled to designate two directors (one being chairman of the board); and (c) if any shareholder intends to sell its shares in Seraphim BVI, such selling shareholder should obtain the prior consent of the other shareholder, and the other shareholder shall have the pre-emptive right to purchase such shares from such selling shareholder. From its date of incorporation and up to August 2015, Seraphim BVI had been owned as to 40% by Mr. Wu (via two BVI investment holding companies beneficially wholly owned by him), and 60% by MACRO-LINK Cayman.

Zhiyuan New Material commenced production in 2010. In August 2015, MACRO-LINK Group decided to divest its investment in Seraphim BVI, which then held the 100% equity interest in Zhiyuan New Material, as MACRO-LINK Holding intended to focus its resources on its tourism business. On 10 August 2015, following such decision, MACRO-LINK Cayman transferred its 90,000,000 shares in Seraphim BVI to Goldwei BVI, one of the BVI companies wholly owned by Mr. Wu, at a consideration

of HK$191,983,686.39, which was determined by reference to the net asset value of Seraphim BVI as of 30 June 2015. Following such transfer, Seraphim BVI has been owned as to 70% and 30% by Goldwei BVI and MACRO-LINK Cayman, respectively.

During the Track Record Period, other than Zhiyuan New Material, the businesses held by Seraphim BVI included Guangdong Jiana (up to 11 October 2016), Fogang Jiata (up to 16 January 2019), Jiayuan Metal (up to 16 January 2019), Jiaya Group (dissolved on 31 May 2019) and MJM (up to 30 November 2017). For the year ended 31 December 2017, according to the unaudited management accounts of Seraphim BVI, the consolidated revenue and total assets of Seraphim BVI amounted to approximately RMB997.7 million and RMB442.8 million, respectively. As at the Latest Practicable Date, Seraphim BVI did not carry on any business. Our Directors confirm that, to the best of their knowledge and belief after having made all reasonable enquiries, Seraphim BVI had complied with all material applicable laws and regulations in the relevant jurisdictions in all material respects during the Track Record Period and up to the Latest Practicable Date.

To the best of our Directors' knowledge and belief after having made all reasonable enquiries, apart from our Group, none of our Controlling Shareholders and MACRO-LINK Group or any of their respective associates has substantial interest in any company or business which is similar to, or competes or is likely to compete directly or indirectly with, the business of our Group. During the Track Record Period, none of our customers was referred by Seraphim BVI or MACRO-LINK Group, and there was no overlap of customers or suppliers between our Group and Seraphim BVI or MACRO-LINK Group. As at the Latest Practicable Date, except for Mr. Zeng Min, our non-executive Director, who served as the only board representative of MACRO-LINK Cayman in our Group, there was no sharing of resources between our Group and Seraphim BVI or MACRO-LINK Group.

BUSINESS MILESTONES

The following sets out our business development milestones:

2006	• Zhiyuan New Material was established as a limited liability company in the PRC
2010	• We commenced production of industrial grade tantalum pentoxide, industrial grade niobium pentoxide and potassium heptafluorotantalate
2012	• We obtained the first high-tech accreditation for our products
	• We commenced production of high-purity tantalum pentoxide and high-purity niobium pentoxide
	• We were accredited as a High-tech Enterprise (高新技術企業) by Guangdong Science and Technology Department* (廣東省科學技術廳), Guangdong Finance Department* (廣東省財政廳), Guangdong National Taxation Bureau* (廣東省國家税務局) and Guangdong Local Taxation Bureau* (廣東省地方税務局)
2015	• We renewed our accreditation as a High-tech Enterprise by Guangdong Science and Technology Department, Guangdong Finance Department, Guangdong National Taxation Bureau and Guangdong Local Taxation Bureau

2016	•	We were accredited as a Guangdong Innovative Enterprise (PILOT)* (廣東省創新型企業(試點)) by Guangdong High-tech Enterprise Association* (廣東省高新技術企業協會)
2017	•	We commenced the construction of four new production lines for pentoxide products, which expanded our production capacity for pentoxide products and expansion of our capabilities for producing two types of recycled products
2018	•	We were accredited as a High-tech Enterprise by Guangdong Science and Technology Department, Guangdong Finance Department and the State Taxation Administration, Guangdong Provincial Taxation Bureau
2019	•	We were accredited as 2018 Guangdong Provincial Excellent Enterprise* (2018年度廣東省優秀企業) by Guangdong Provincial Enterprise Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會)

OUR CORPORATE HISTORY

Zhiyuan New Material

On 9 May 2006, Zhiyuan New Material (previously known as Yingde Jiata New Material Co., Ltd.) was established in Yingde, Guangdong Province, PRC as a limited liability company by Fogang Jiata and Jiata International.

It is principally engaged in the production and sale of tantalum- and niobium-based metallurgical products. Zhiyuan New Material had an initial registered capital of RMB12,000,000, which was contributed by Fogang Jiata and Jiata International, both of which were beneficially owned as to 100% by Mr. Wu at the time of Zhiyuan New Material's establishment.

On 24 March 2008, Seraphim BVI acquired all the equity interest in Zhiyuan New Material from Fogang Jiata and Jiata International and, from then until 31 August 2017, Zhiyuan New Material had been owned as to 100% by Seraphim BVI. The registered capital of Zhiyuan New Material increased from RMB12,000,000 to RMB33,000,000 on 12 January 2010, and further increased to RMB33,800,000 on 18 April 2013. Both registered capital increases were contributed by Seraphim BVI.

On 31 August 2017, as part of the Reorganisation, Xite Hong Kong acquired all the equity interest in Zhiyuan New Material from Seraphim BVI, at a consideration of RMB33,800,000, which was determined with reference to the then registered capital of Zhiyuan New Material. Following the Reorganisation, Zhiyuan New Material has become an indirect wholly-owned subsidiary of our Company.

On 15 September 2017, Zhiyuan New Material Guangzhou Branch was established as a branch office of Zhiyuan New Material for administrative arrangements only. The business scope of Zhiyuan New Material Guangzhou Branch is limited to the business scope of Zhiyuan New Material. As at the Latest Practicable Date, Zhiyuan New Material Guangzhou Branch had not commenced any business.

Entrustment arrangement

On 1 April 2008, following Mr. Wu's prior plan to emigrate to Canada which was subsequently discontinued, Mr. Wu transferred the legal interest in 100% equity interest in Goldwei BVI, being 50,000 ordinary shares of HK$2,000 each, to Mr. Wu Wenjue, the elder brother of Mr. Wu, for a consideration of HK$100,000,000, being the aggregate nominal value of the entire issued share capital of Goldwei BVI for the purpose of tax planning after completion of the emigration process. At the same time, a share entrustment agreement was entered into between Mr. Wu and Mr. Wu Wenjue, pursuant to which it was agreed that Mr. Wu Wenjue shall hold such 100% equity interest in Goldwei BVI on trust for Mr. Wu until such equity interest is transferred back to Mr. Wu. As such, from 1 April 2008 to 13 July 2016, such 100% equity interest in Goldwei BVI was legally held by Mr. Wu Wenjue on trust for Mr. Wu. To prepare for the **[REDACTED]** comprising Zhiyuan New Material, on 14 July 2016, Mr. Wu Wenjue transferred the legal interest in the 100% equity interest in Goldwei BVI back to Mr. Wu for a consideration of HK$100,000,000 (being the aggregate nominal value of the entire issued share capital of Goldwei BVI). There has been no change in the shareholding of Goldwei BVI since then. Mr. Wu Wenjue had not taken any part in the management and operation of our Group since 1 April 2008 and up to the Latest Practicable Date, nor had he been involved in any non-compliance incidents, litigations or claims when he held the 100% equity interest in Goldwei BVI on trust for Mr. Wu.

Acquisition and disposal of Jiayuan Metal

On 21 August 2009, Jiayuan Metal was established in Guangzhou, Guangdong Province, the PRC as a limited liability company wholly owned by Guangdong Jiana and was principally engaged in the trading of various metallurgical products and metal ores with a registered capital of RMB10,010,000.

Guangdong Jiana is a limited liability company established in the PRC and is principally engaged in the production and trading of various metallurgical products other than tantalum- and niobium-based metallurgical products. For FY2016, the total revenue and total assets of Guangdong Jiana amounted to RMB688.2 million and RMB662.7 million, respectively. Our Directors confirm that, to the best of their knowledge and belief after having made all reasonable enquiries, Guangdong Jiana had complied with all material applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. Guangdong Jiana had not been engaged in a business which is similar to, or competes or is likely to compete directly or indirectly with, the business of our Group during the Track Record Period and up to the Latest Practicable Date.

On 1 August 2015, Zhiyuan New Material entered into an equity transfer agreement with Guangdong Jiana, pursuant to which Zhiyuan New Material agreed to purchase all the equity interest in Jiayuan Metal from Guangdong Jiana at a consideration of RMB10,010,000. Such consideration was determined with reference to the then registered capital of Jiayuan Metal. The equity transfer was in view of Mr. Wu's decision to streamline Guangdong Jiana's assets for its prior plan to apply for listing on the Shanghai Stock Exchange or Shenzhen Stock Exchange. The decision was supported by the other indirect shareholder of Guangdong Jiana, namely MACRO-LINK Cayman, in recognition of Mr. Wu's investment vision and management experience. However, Guangdong Jiana subsequently did not submit the listing application primarily because an Independent Third Party, Guangdong Dows, subsequently acquired the majority interest of Guangdong Jiana in 2017. Guangdong Dows was a limited liability company established in the PRC on 21 September 2007, which was listed on the Shenzhen Stock Exchange (stock code: 300409) and was principally engaged in the production and trading of various

inorganic non-metallic materials products. As confirmed by our PRC Legal Advisers, such acquisition was properly and legally completed and settled. During the Track Record Period and up to the Latest Practicable Date, there had been no trust or other arrangement among Mr. Wu, Guangdong Dows and MACRO-LINK Cayman in relation to their respective ownership in various common investments including Guangdong Jiana.

On 15 June 2016, as part of our strategic efforts to focus on our core business of production and sale of tantalum- and niobium-based metallurgical products and our plan to apply for **[REDACTED]**, we decided to dispose of Jiayuan Metal, the principal business of which is the trading of various metallurgical products and metal ores, which is not in line with the core business of Zhiyuan New Material. Fogang Jiata entered into the Jiayuan Metal Disposal Agreement dated 30 June 2016 with Zhiyuan New Material, which was shortly after the final decision was made to apply for **[REDACTED]**, pursuant to which Fogang Jiata agreed to purchase all the equity interest in Jiayuan Metal at a consideration of RMB10,010,000. Such consideration was determined with reference to the then registered capital of Jiayuan Metal. Since 5 July 2016, Zhiyuan New Material has ceased to hold any equity interest in Jiayuan Metal. As confirmed by our PRC Legal Advisers, the above disposal has been properly and legally settled and completed, and all permits, licenses, authorisations, approvals and consents necessary or desirable to the validity and effectiveness of such disposal (if any) have been obtained from the relevant PRC authorities and are valid, current, subsisting and not revoked.

Given that Jiayuan Metal was principally engaged in a business that is different from our core business, our Directors are of the view that the disposal was insignificant to and had no material adverse effect on our operation and financial condition taken as a whole.

REORGANISATION

In preparation for **[REDACTED]**, the companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. The main steps of our Reorganisation were:

(1) Incorporation of Jiawei Resources Seychelles

On 24 April 2017, Jiawei Resources Seychelles was incorporated in Seychelles as an investment holding company with an authorised share capital of US$1,000,000 divided into 1,000,000 shares of US$1.00 each, of which one share was allotted and issued as fully paid to Mr. Wu at par.

(2) Incorporation of our Company, Xinjia Seychelles and Xite Hong Kong

On 26 May 2017, our Company was incorporated in the Cayman Islands as an exempted company with an initial authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, of which one Share was allotted and issued as fully paid to the initial subscriber at par, and then transferred to Jiawei Resources Seychelles at par. On the same date, six Shares and three Shares were allotted and issued as fully paid to Jiawei Resources Seychelles and MACRO-LINK Cayman, respectively, at par. Since its date of incorporation, our Company has been owned as to 70% and 30% by Jiawei Resources Seychelles and MACRO-LINK Cayman, respectively.

On 21 June 2017, Xinjia Seychelles was incorporated in Seychelles as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of no par value, of which one share of US$1.00 was allotted and issued as fully paid to our Company on 23 June 2017.

On 29 June 2017, Xite Hong Kong was incorporated in Hong Kong as a limited liability company. Xite Hong Kong had an issued share capital of HK$10,000 consisting of 10,000 shares, which were allotted and issued to Xinjia Seychelles on 29 June 2017.

Xinjia Seychelles and Xite Hong Kong would act as the intermediate holding companies of our Group.

As at the Latest Practicable Date:

(i) our Company was principally engaged in investment holding;

(ii) Xinjia Seychelles was principally engaged in investment holding; and

(iii) Xite Hong Kong was principally engaged in the sale of tantalum- and niobium-related materials.

(3) Acquisition of Zhiyuan New Material by Xite Hong Kong

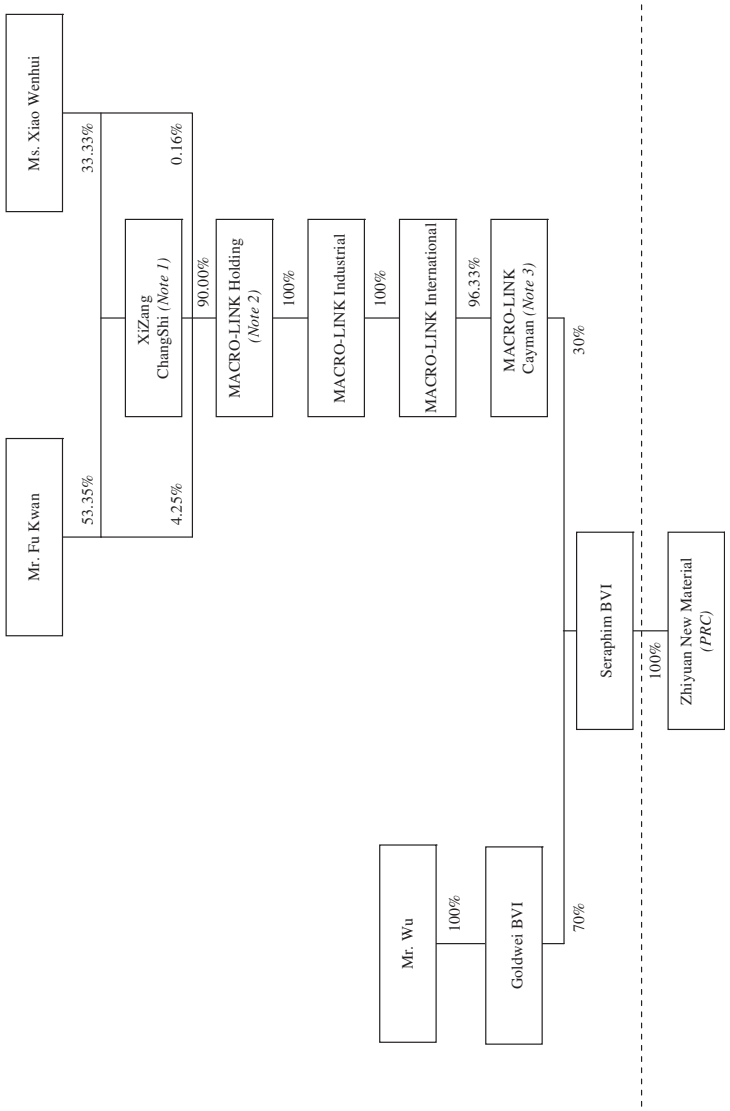
On 31 August 2017, Xite Hong Kong acquired all the equity interest in Zhiyuan New Material from Seraphim BVI at cash consideration of RMB33,800,000, which was determined with reference to the then registered capital of Zhiyuan New Material. Following the Reorganisation, Zhiyuan New Material has become an indirect wholly-owned subsidiary of our Company.

The Reorganisation of our Group (being completion of the acquisition of Zhiyuan New Material by Xite Hong Kong) was completed on 31 August 2017. Each of the share transfers regarding the Reorganisation mentioned above was properly and legally completed and settled.

As at the Latest Practicable Date, Zhiyuan New Material was principally engaged in the production and sale of tantalum- and niobium-based metallurgical products.

Group structure

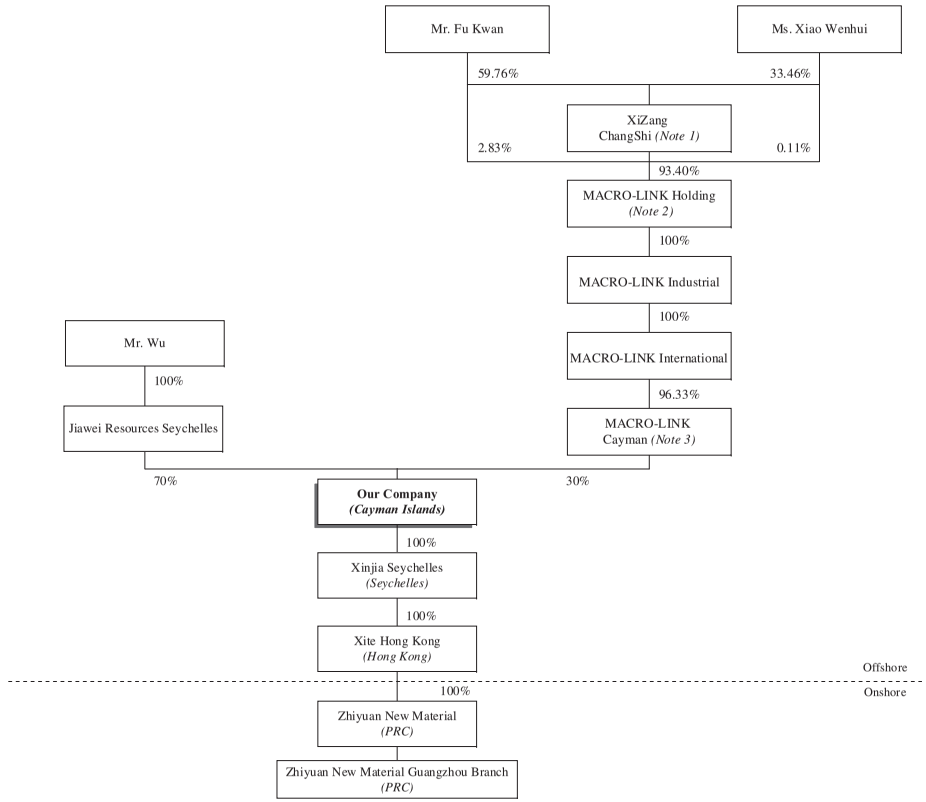
Set forth below was the corporate structure of our Group immediately prior to the Reorganisation:



Notes:

1. The remaining 13.32% equity interest in XiZang ChangShi was owned by other individual shareholders, each of whom held less than 10% of the equity interest as at the Latest Practicable Date who is an Independent Third Party except for being a shareholder of XiZang ChangShi.
2. The remaining 5.59% equity interest in MACRO-LINK Holding was owned by other individual shareholders, each of whom held less than 10% of the equity interest as at the Latest Practicable Date who is an Independent Third Party except for being a shareholder of MACRO-LINK Holding.
3. As at the Latest Practicable Date, the remaining shareholding in MACRO-LINK Cayman was held by Ms. To Shong (2%) and Mr. Chung Shan Kwang (1.67%), each of whom is an Independent Third Party except for being a shareholder of MACRO-LINK Cayman.

Set forth below is the corporate structure of our Group after the Reorganisation but immediately prior to the Capitalisation Issue and the **[REDACTED]**:



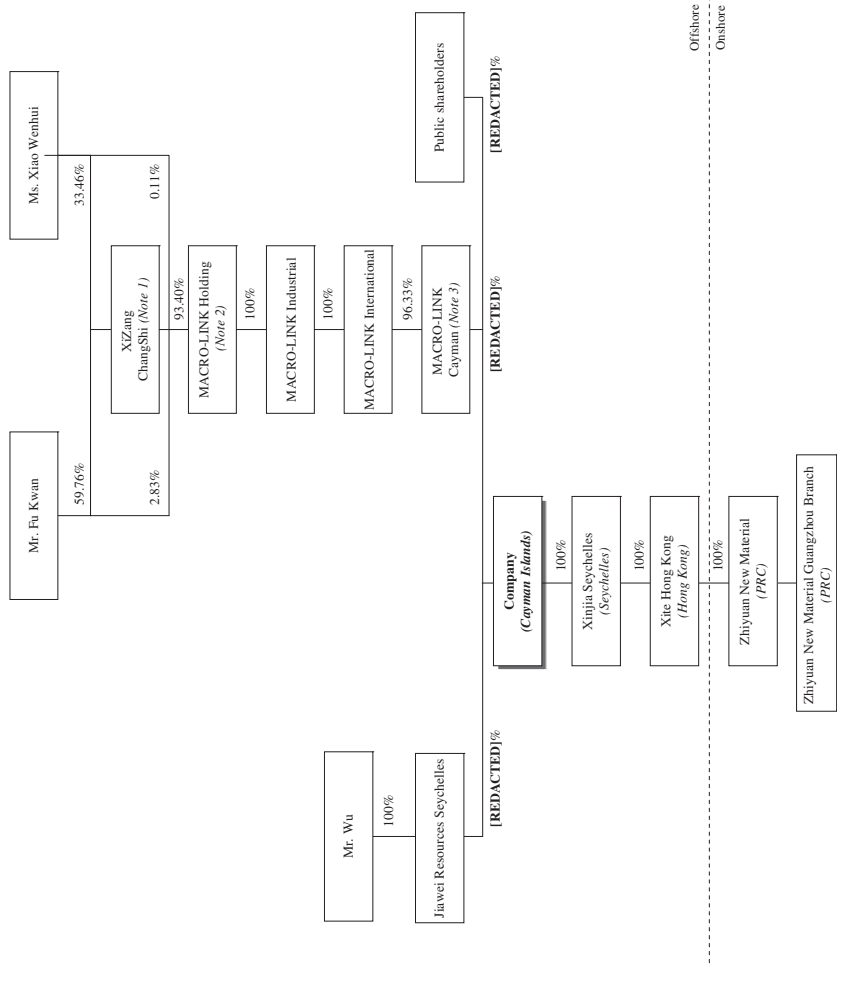
Notes:

1. The remaining 6.78% equity interest in XiZang ChangShi was owned by other individual shareholders, each of whom held less than 10% of the equity interest as at the Latest Practicable Date who is an Independent Third Party except for being a shareholder of XiZang ChangShi.

2. The remaining 3.66% equity interest in MACRO-LINK Holding was owned by other individual shareholders, each of whom held less than 10% of the equity interest as at the Latest Practicable Date who is an Independent Third Party except for being a shareholder of MACRO-LINK Holding.

3. As at the Latest Practicable Date, the remaining shareholding in MACRO-LINK Cayman was held by Ms. To Shong (2%) and Mr. Chung Shan Kwang (1.67%), each of whom is an Independent Third Party except for being a shareholder of MACRO-LINK Cayman.

Set forth below is the corporate structure of our Group following completion of the Capitalisation Issue and the **[REDACTED]** (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** and the options which may be granted under the Share Option Scheme):



Notes:

1. The remaining 6.78% equity interest in XiZang ChangShi was owned by other individual shareholders, each of whom held less than 10% of the equity interest as at the Latest Practicable Date who is an Independent Third Party except for being a shareholder of XiZang ChangShi.

2. The remaining 3.66% equity interest in MACRO-LINK Holding was owned by other individual shareholders, each of whom held less than 10% of the equity interest as at the Latest Practicable Date who is an Independent Third Party except for being a shareholder of MACRO-LINK Holding.

3. As at the Latest Practicable Date, the remaining shareholding in MACRO-LINK Cayman was held by Ms. To Shong (2%) and Mr. Chung Shan Kwang (1.67%), each of whom is an Independent Third Party except for being a shareholder of MACRO-LINK Cayman.

GENERAL

Pursuant to SAFE's Circular 37, special purpose vehicle (the "**SPV**") refers to overseas companies directly incorporated or indirectly controlled by domestic residents (including domestic institutions and individual domestic residents) using the assets or rights and interests of domestic companies that they legally possess or the overseas assets or rights and interests they legally possess for the purpose of investments and financing. Pursuant to Circular 37, the PRC domestic residents are required to register with the competent local branch of SAFE with regards to their direct establishment or indirect control of a SPV, before contributing the domestic and overseas lawful assets or interests to a SPV. The Circular 37 further requires timely amendments to the registration for any major change in respect of the SPV, including, among other things, any major change in the SPV's PRC resident shareholder, name of the SPV, term of operation, or any increase or reduction of the SPV's registered capital contributed by the PRC domestic resident, share transfer or swap, and merger or division.

As advised by our PRC Legal Advisers, Circular 37 applies to the Reorganisation and the **[REDACTED]** as Mr. Wu falls within the meaning of a domestic resident in Circular 37. In accordance with Circular 37, Mr. Wu completed the registration and filing of an overseas investment by a PRC resident with Qingyuan Branch, Industrial and Commercial Bank of China on 12 May 2017 in respect of his overseas investments in our Group and has complied with all the relevant formalities for such registration and filling.

Our PRC Legal Advisers have also confirmed that we have complied with all applicable PRC rules and regulations and have obtained all relevant approvals from PRC government authorities for the Reorganisation, including the approval of the Qingyuan Bureau of Commerce and Qingyuan Administration for Industry and Commerce regarding the Xite Hong Kong's acquisition of all the equity interest in Zhiyuan New Material from Seraphim BVI as part of the Reorganisation pursuant to the Provisions for the Alteration of Investors' Equities in Foreign-funded Enterprises* (外商投資企業投資者股權變更的若干規定), the SAFE registration pursuant to Circular 37, approval of the relevant investment department pursuant to the Interim Measures for the Administration of Examination and Approval of the Overseas Investment Projects* (境外投資項目核准暫行管理辦法), approval of the relevant commerce department pursuant to the Measures for Overseas Investment Management* (境外投資管理辦法) and foreign exchange registration pursuant to the Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions* (境內機構境外直接投資外匯管理規定). In addition to the above-mentioned approvals and registrations, we are not required to obtain other approvals from CSRC, MOFCOM or other relevant authorities for the Reorganisation and **[REDACTED]**.

OVERVIEW

We are a producer of tantalum- and niobium-based metallurgical products in China. Tantalum- and niobium-based metallurgical products are essential in the downstream manufacture of many products used in high-tech industries, such as special alloy, chemical, electronic ceramics, aeronautics, aerospace, high-end electronics, defence and hard alloy. Our principal products are tantalum pentoxide and niobium pentoxide. We also produce and sell potassium heptafluorotantalate. We process our products into varying purity levels and specifications in order to meet the requirements for different end products. In addition, we sell processed products such as tantalum bars, tantalum carbide, niobium bars and niobium powder, which are produced by engaging third-party metallurgy companies to process the pentoxide products and potassium heptafluorotantalate we produce, or purchased from third-party metallurgy companies. Moreover, we provide services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate.

According to the CIC Report, we were the largest producer of tantalum and niobium hydrometallurgical products in China for FY2016, FY2017 and FY2018 in terms of total annual production volume. Our total production volume of pentoxide products and potassium heptafluorotantalate was approximately 878.9 tonnes, 1,031.0 tonnes and 1,321.0 tonnes for FY2016, FY2017 and FY2018, respectively, accounting for approximately 30.0%, 31.5% and 35.8% of the market share in China for FY2016, FY2017 and FY2018, respectively.

Our Group was established in 2006. Over the years, we focused on the production and sale of tantalum- and niobium-based metallurgical products, and gradually expanded our production and operations. While our annual production capacity of potassium heptafluorotantalate has maintained at 207 tonnes since the commencement of our production in 2010, our annual production capacity of pentoxide products increased from approximately 171 tonnes in 2010 to approximately 1,282.5 tonnes in FY2018.

As at the Latest Practicable Date, our production facilities had nine production lines for pentoxide products and potassium heptafluorotantalate. We can also produce up to six types of recycled products through our waste material recycling facilities. Our production plant is located in Yingde, Guangdong Province, which is in close proximity to several major national and provincial expressways and ports, connecting us with the major cities in Guangdong Province, as well as enabling us to ship our products and procure our principal raw materials through the South China Sea.

Our success has been supported by our research and development capabilities. We conduct research and development on tantalum- and niobium-based metallurgical products, and have been able to develop tantalum pentoxide and niobium pentoxide with purity levels above the industry standards issued by MIIT and NDRC and produce products with different physical properties to be applied in different industries. Since 2012 and up to the Latest Practicable Date, we have been accredited as a High-tech Enterprise (高新技術企業) by Guangdong Science and Technology Department* (廣東省科學技術廳), Guangdong Finance Department* (廣東省財政廳), Guangdong National Taxation Bureau* (廣東省國家税務局) and Guangdong Local Taxation Bureau* (廣東省地方税務局). As at the Latest Practicable Date, we owned 24 patents in China relating to production equipment and process. These patents certify the technological innovation of our products, which enable us to deliver products that meet our customers' specifications and attract new customers. We believe our research and development

capabilities will enable us to adapt to the changing needs of different industries which require our products, achieve product innovation to fulfil our customers' specific requirements, and maintain our market position in the industry.

We are led by a management team which is experienced in our industry. The founder of our Group, our executive Director and chief executive officer, Mr. Wu, graduated from Central South University (中南大學) (formerly known as Central South Institute of Mining and Metallurgy* (中南礦冶學院)) with a bachelor's degree in powder metallurgy, and has specialised in the tantalum and niobium metallurgy industry for over 30 years. Our vice president, Mr. Zhong Yuelian, has over 25 years of experience in the tantalum and niobium metallurgy industry and he participated in inventing five patents for our Group. Both Mr. Wu and Mr. Zhong Yuelian have extensive experience in leading our Group's operation and future development in the industry. Their experience is also illustrated by their participation in the drafting of the industry standards of certain metallurgical products in the PRC. For further details of the qualifications and experience of our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this document.

Our revenue increased from approximately RMB217.4 million for FY2016 to approximately RMB307.4 million for FY2017, and further increased to approximately RMB514.7 million for FY2018. For 4M2019, our revenue amounted to approximately RMB203.8 million, representing an increase of approximately RMB66.2 million from approximately RMB137.6 million for 4M2018. Our net profits from continuing operations increased from approximately RMB24.7 million for FY2016 to approximately RMB38.6 million for FY2017, and further increased to approximately RMB77.1 million for FY2018. For 4M2019, our net profits from continuing operations amounted to approximately RMB25.7 million, representing an increase of approximately RMB2.1 million from approximately RMB23.6 million for 4M2018.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our Group has the following competitive strengths, which have driven the growth in our business and financial performance.

We were the largest producer of tantalum and niobium hydrometallurgical products in China

According to the CIC Report, we were the largest producer of tantalum and niobium hydrometallurgical products in China for FY2016, FY2017 and FY2018 in terms of total annual production volume, accounting for approximately 30.0%, 31.5% and 35.8% of the market share in China for FY2016, FY2017 and FY2018, respectively. Our principal products are tantalum pentoxide and niobium pentoxide, which are critical in the downstream manufacture of many products used in high-tech industries, including special alloy, chemical, electronic ceramics, aeronautics, aerospace, high-end electronics, defence and hard alloy. Due to their distinctive properties, tantalum pentoxide and niobium pentoxide have no common comparable products in downstream applications. According to the CIC Report, there are approximately 15 tantalum and niobium metallurgy companies in China in 2018. Moreover, according to the CIC Report, the total production volume in China accounted for approximately 58.6% of the total production volume of tantalum and niobium metallurgical products in global market for FY2018, and the top five producers of tantalum and niobium hydrometallurgical products in China, including us, accounted for approximately 43.6% of global production volume in FY2018.

Due to the scarcity of tantalum and niobium, and the relatively small number of major participants in the industry, we believe our market position as the largest producer of tantalum and niobium hydrometallurgical products in China cannot be easily challenged. With our leading market position, we are able to serve customers in a wide range of downstream industries. Through working closely with our customers and the manufacturers of end products, we have accumulated in-depth knowledge of the specifications of different end products and the requirements of our customers across different industries. This enables us to better serve our existing customers and attract new customers. In addition, our leading market position enables us to build up good and long-term relationship with our suppliers of tantalum and niobium ores. As such, we enjoy a competitive edge over other industry players in terms of a stable supply of raw materials for our production.

We were an early entrant in a fast-growing market with high entry barriers.

Although tantalum- and niobium-based metallurgical products have been manufactured in China for over 50 years, their use in high-tech industries has been relatively recent. Many of the common products using pentoxide products and potassium heptafluorotantalate as raw materials, such as special alloys and additives to be used in the manufacture of high-speed trains and mobile phone lenses, were only invented or mass-produced in the past 20 years. The founder of our Group, our executive Director and chief executive officer, Mr. Wu, began working on tantalum- and niobium-based metallurgical products in the 1980s, and established our Group in 2006. We are one of the earliest non-state owned PRC-based market participants in this industry. These enabled us to build a wide customers' base, and develop technical know-how at an early stage.

Given that the scarcity of tantalum and niobium resources and the relatively small number of industry participants, potential new entrants into our industry may face significant entry barriers in terms of technology and know-how, access to suppliers and customers, or ability to benefit from economies of scale. As an early entrant into this industry, we are one of the few industry players that have such technical sophistication, know-how, and extensive experience to manufacture tantalum- and niobium-based metallurgical products. Furthermore, we have built up our reputation in the industry and developed long-term cooperative relationships with suppliers of our raw materials in the upstream, and purchasers of our products in the downstream. We believe we will be able to solidify our market position and are well positioned for further growth.

According to the CIC Report, the production volume of high-purity niobium pentoxide in the global market is expected to grow from 1,887.3 tonnes in 2018 to 2,479.7 tonnes in 2023, representing a CAGR of 5.6%, and the production volume of high-purity niobium pentoxide for sale of products in the PRC market is expected to grow from 670.0 tonnes in 2018 to 1,066.3 tonnes in 2023, representing a CAGR of 9.7%. The production volume of high-purity tantalum pentoxide in the global market is expected to grow from 571.4 tonnes in 2018 to 712.7 tonnes in 2023, representing a CAGR of 4.5%, while the production volume of high-purity tantalum pentoxide for sale of products in the PRC market is expected to grow from 200.0 tonnes in 2018 to 302.9 tonnes in 2023, representing a CAGR of 8.7%. With our experience in the industry, we believe we will benefit from such expected growth in our industry and further increase our market share in the tantalum- and niobium-based metallurgical industry.

We have a dedicated and experienced research and development team and benefit from the results of our research and development efforts.

We have a dedicated and experienced research and development team, which works closely with our production team to improve our production process. Our research and development department comprised ten employees as at 30 April 2019. It is led by our executive Director and chief executive officer, Mr. Wu, and our vice president, Mr. Zhong Yuelian, who have over 30 and 25 years of experience in the tantalum and niobium metallurgy industry, respectively. In addition, two of our senior engineers and an industrial analysis engineer also participate in our research and development projects. For further details of their qualifications, please refer to the paragraph headed "Research and development" in this section. Mr. Wu, Mr. Zhong Yuelian and other members of our senior management have been dedicated to research and development in our field and they have been committed to applying their experience and knowledge to ramp up our production and diversify our product offerings. For more information, please refer to the section headed "Directors and Senior Management" in this document.

During the Track Record Period, our research and development efforts mainly focused on: (i) improving the techniques for processing tantalum ores and niobium ores to reduce production costs; and (ii) enhancing technologies for producing pentoxide products and potassium heptafluorotantalate to improve the purity levels of these products and develop products with different physical properties. We worked closely with research and academic institute and company to develop products that serve our customers' needs. For example, from 2013 to 2016, we collaborated with the Institute of Process Engineering, Chinese Academy of Sciences* (中國科學院過程工程研究所) to research on and develop technologies for the production of tantalum pentoxide and niobium pentoxide, and the recovery of ammonia during the production process of tantalum pentoxide and niobium pentoxide. Currently, we have been working with Institute for the Comprehensive Utilisation of Resources, Guangdong General Research Institute for Industrial Technology (Guangdong Research Institute of Non-ferrous Metals)* (廣東省工業技術研究院(廣州有色金屬研究院)資源綜合利用研究所) since 2015 to research on the technique for recycling the waste water produced during the tantalum and niobium production process. We received assistance from senior engineers and technicians from research institutes for research and development during the period from April 2015 to March 2019.

In addition, we are able to develop and produce products that meet the specific requirements of our customers. For example, we produced niobium pentoxide with a reduced level of antimony (銻) content and sold it to a customer in the United States in 2015, and niobium pentoxide with a reduced level of iron content and first sold it to a customer in Japan in 2017. As a result of our continuous efforts in research and development, as at the Latest Practicable Date, we owned 24 patents in China relating to production equipment and process.

We are led by an experienced and dedicated management team.

Our experienced management team has been dedicated to the production and sale of products. The focus and dedication of our senior management have enabled us to be an expert in the tantalum and niobium metallurgy industry. Our executive Director and chief executive officer, Mr. Wu, graduated from Central South University (中南大學) with a bachelor's degree in powder metallurgy, and has been working in the tantalum and niobium metallurgy industry for more than 30 years. He was the guest director and vice president of the Tantalum-niobium Branch of China Non-ferrous Metals Industry Association* (中國有色金屬工業協會鉭鈮分會) in 2009 and 2018, respectively, and has been a member

of the editorial board of a trade magazine namely "Development of the Tantalum-niobium Industry" (鉭鈮工業進展). Such exposure enables him to be aware of the changes in the industry and timely capture market opportunities. Our vice president, Mr. Zhong Yuelian, has over 25 years of experience in the tantalum and niobium metallurgy industry. He has dedicated himself to managing our research and development efforts, in particular, in upgrading our production process. Mr. Zhong participated in inventing five patents for our Group. The experience of Mr. Wu and Mr. Zhong Yuelian is also illustrated by their participation in the drafting of the industry standards of certain metallurgical products in the PRC. Mr. Shi Bo, our research and development director, also had over 20 years of experience in the industry. We believe that our experienced senior management team will continue to be a driver for our future growth.

OUR BUSINESS STRATEGIES

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

Extend our production and sales to downstream products

Reasons for downward supply chain integration

From time to time, we adjust our product offerings in light of the changing demand of our target customers. According to the CIC Report, it is an industry trend for market players in tantalum and niobium metallurgy industry to achieve supply chain integration to expand their production and satisfy the demand of their customers. The supply chain of tantalum and niobium metallurgy industry included the mining, hydrometallurgy, pyro-metallurgy, and processing of tantalum and niobium. Tantalum ores and niobium ores are processed by hydrometallurgical procedures into hydrometallurgical products, including tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate. Hydrometallurgical products can be processed by pyro-metallurgical procedures into pyro-metallurgical products, including tantalum powder and niobium bars. Pyro-metallurgical products can then be further processed into processed products, such as tantalum bars and niobium powder. For further details about the value chain of the tantalum and niobium metallurgy industry, please refer to the paragraph headed "Industry Overview — Overview of the global and PRC tantalum and niobium metallurgy industries — Value chain for the global and PRC tantalum and niobium metallurgy industries" in this document. It is common for producers of tantalum- and niobium-based metallurgical products in China and overseas to seek vertical supply chain integration, for example, by establishing production capacity for downstream products through in-house research and development or by acquiring downstream producers. According to the CIC Report, as of 2018, there were few companies that engaged in the production of tantalum powder in China. Among such tantalum powder producers in China, at least two of the major producers originally engaged in hydrometallurgy and developed into pyro-metallurgy through in-house research and development, and most of the major producers have the capacity to produce processed products.

By providing both hydrometallurgical products and pyro-metallurgical tantalum- and niobium-based products, such producer would be able to have a more comprehensive product portfolio to cater for its customers' needs and expand its customer base. Also, by having a wider range of products and customer base, such producer would be less vulnerable to changes in the market than competitors which only produce hydrometallurgical products.

We sold tantalum bars to our customers during the Track Record Period and up to the Latest Practicable Date

We are experiencing a steady growth in the demand for tantalum bars during the Track Record Period and up to the Latest Practicable Date. Our revenue generated from sale of tantalum bars amounted to approximately RMB6.8 million, RMB12.8 million, RMB20.4 million and RMB11.3 million, representing approximately 82.2%, 99.5%, 81.4% and 69.2% of our revenue generated from sale of processed products for FY2016, FY2017, FY2018 and 4M2019, respectively. In July 2019, one of our customer ordered 20 tonnes of tantalum bars, out of which six tonnes and 14 tonnes are expected to be delivered in 2019 and 2020 respectively.

However, during the Track Record Period and up to the Latest Practicable Date, since we did not possess production facilities to process our potassium heptafluorotantalate into tantalum powder, which can be further processed into tantalum bars, we engaged third-party metallurgy companies to process our potassium heptafluorotantalate into tantalum bars and sold to our customers.

Our Directors believe that such reliance on third-party metallurgy companies to produce tantalum bars is not desirable. As stated above, there were few companies engaging in the production of tantalum powder in China as of 2018 and most of these companies have the capacity to produce processed tantalum- and niobium-based products, including tantalum bars. As such, these companies may not satisfy our orders all the time, as they would only accept our orders to produce tantalum bars when their production capacity was not fully utilised. Therefore, there are risks that we cannot meet our customers' demand for processed products if our providers of processed products are unable to entertain our requests.

Expected growth in the demand for tantalum powder and tantalum bars

Tantalum powder can be categorised into metallurgy-grade tantalum powder and capacitor-grade tantalum powder. Metallurgy-grade tantalum powder is an important raw materials for producing products such as high-performance semi-conductors, heat-resistant nickel-based alloys for aerospace engines, 3D printing and surgical material for orthopedics. Capacitor-grade tantalum powder can be used in the production of tantalum capacitors applied in producing mobile phones, notebooks, televisions and military electronic equipment.

According to the CIC Report, the production volume of tantalum powder in the global market is expected to grow from 1,456.3 tonnes in 2018 to 1,826.2 tonnes in 2023, representing a CAGR of 4.6%. In particular, the production volume of metallurgy-grade tantalum powder in the global market is expected to grow from 837.1 tonnes in 2018 to 1,126.1 tonnes in 2023, representing a CAGR of 6.1%. The production volume of tantalum powder in PRC is also expected to grow from 485.5 tonnes in 2018 to 609.1 tonnes in 2023, representing a CAGR of 4.6%. Such growth in the market size for tantalum powder is mainly attributable to (i) the wide range of application of metallurgical grade tantalum powder in downstream applications, such as semi-conductor, erosion-resistant equipment and aviation equipment, and the market size of semi-conductor, erosion-resistant equipment and aviation equipment is expected to grow at CAGRs of approximately 5.5%, 9.8% and 28.6%, respectively, between 2018 and 2023 and (ii) emerging applications of tantalum powder in downstream sectors including 3D printing and surgical materials for orthopedics.

At the same time, according to the CIC Report, the production volume of tantalum bars in PRC is expected to grow from 221.6 tonnes in 2018 to 337.6 tonnes in 2023, representing a CAGR of 8.8%. Tantalum bar is one of the most common tantalum-based processed products manufactured by PRC-based processing companies, which can be further processed into a variety of metallic products and alloy. Tantalum bar is widely used in the production of heat-resistant special alloys in the aerospace industry, and mill products that can be applied in chemical equipment industries and semi-conductor industries. These industries are expected to grow in the coming years, which will in turn drive the demand for processed tantalum- and niobium-based metallurgical products in PRC.

We are well-positioned to extend our production to tantalum powder and tantalum bars

As the largest producer of tantalum and niobium hydrometallurgical products in China for FY2016, FY2017 and FY2018 in terms of total annual production volume, according to the CIC Report, and to capture the expected growth in the market for tantalum powder and tantalum bars, we plan to build and set up new production facilities in Qingyuan, Guangdong to produce downstream tantalum-based products, such as tantalum powder and tantalum bars, which will partly be financed by the **[REDACTED]** from the **[REDACTED]**. For further details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document. Our Group has been actively looking for land suitable for setting up our production facilities to extend our production to downstream products. In May 2019, we entered into an agreement with Qingyuan Overseas Chinese Industrial Park Administration Committee* (清遠華僑工業園管理委員會) for setting up our production facilities for downstream products in the Qingyuan Overseas Chinese Industrial Park* (清遠華僑工業園), and the land acquisition will be subject to bidding, auction or listing procedures. The cost for the land acquisition is expected to be financed by our internal resources.

Potassium heptafluorotantalate is the major raw material for producing tantalum powder, and tantalum powder can then be further processed into tantalum bars. Our existing production facilities have an annual production capacity of 207 tonnes of potassium heptafluorotantalate. Our Directors consider that, by using potassium heptafluorotantalate produced by us to produce tantalum powder, we could ensure the stable supply of the potassium heptafluorotantalate and control the purity levels and specifications of the potassium heptafluorotantalate used, which will facilitate us to satisfy our customers' requirements.

Our management team has extensive experience in the tantalum and niobium metallurgy industry. In particular, the founder of our Group, our executive Director and chief executive officer, Mr. Wu, has been working in the tantalum and niobium metallurgy industry for more than 30 years. Mr. Zhong Yuelian, our vice president, also has over 25 years of experience working in the tantalum and niobium metallurgy industry. For details of their experience and qualification, please refer to the section headed "Directors and Senior Management" in this document. In addition, one of our senior engineer, Mr. Yuan Ningfeng, also has over 25 years of experience in the tantalum and niobium metallurgy industry, including engaging in research and development of tantalum powder and production of pyro-metallurgical products. Our Directors believe that the experience and qualifications of our Directors and employees will facilitate our future development in production of pyro-metallurgical products.

The construction plan

The following table sets out a breakdown of our capital expenditure plan for the construction of our new production facilities for tantalum powder and tantalum bars, acquisition and installation of the relevant machinery and equipment and other related expenses, which is expected to commence in the year ending 31 December 2020:

	RMB'000
Construction of the production facilities	**[REDACTED]**
Acquisition and installation of the machinery and equipment	**[REDACTED]**
Other expenses	**[REDACTED]**
Total	**[REDACTED]**

Other benefits for extending our production to tantalum powder and tantalum bars

As tantalum powder and tantalum bars can be used in a wide range of industries while a majority of potassium heptafluorotantalate produced is used for producing tantalum powder and tantalum bars, there is a broader customer base for tantalum powder and tantalum bars than potassium heptafluorotantalate. While our existing production facilities have an annual production capacity of 207 tonnes of potassium heptafluorotantalate, we experienced an under-utilisation of our production facilities for potassium heptafluorotantalate for FY2016 and FY2017. The utilisation rate of our potassium heptafluorotantalate was approximately 51.8% and 52.4% for FY2016 and FY2017, respectively. For FY2018, our utilisation rate of potassium heptafluorotantalate increased to approximately 96.4%. Such increase was due to the purchase by Customer F for a large volume of potassium heptafluorotantalate, which accounted for a majority of our sale of potassium heptafluorotantalate by volume for FY2018. Customer F procured its raw materials through an online tendering system. Customer F's purchase for potassium heptafluorotantalate increased in FY2018 because we were awarded contract for the sales of potassium heptafluorotantalate for several months. Since the orders from Customer F were awarded by online tendering, we cannot ensure that we will be awarded contract of similar volume in the future. As such, if we are able to produce tantalum powder using our potassium heptafluorotantalate, we could better utilise our production capacity of potassium heptafluorotantalate in our existing production facilities. At the same time, by using potassium heptafluorotantalate produced by us to produce tantalum powder, we could ensure the stable supply of the potassium heptafluorotantalate and control the purity levels and specifications of the potassium heptafluorotantalate used, which will facilitate us to satisfy our customers' requirements.

By developing our new production facilities that adopt pyro-metallurgical manufacturing procedures, our Directors believe that (i) we could capture the expected growing demand for downstream pyro-metallurgical tantalum-based products to increase our market share in the tantalum- and niobium-based metallurgical industry in China; (ii) by extending our production to downstream products, we can provide more comprehensive services to our customers as well as catering to different needs of our existing and potential customers; (iii) we can reduce our reliance on third-party metallurgy companies to produce our processed products; and (iv) by broadening our product portfolio, we could solidify our market position and be better positioned for future growth. At the same time, China charges 30% export tax for potassium heptafluorotantalate but nil export tax for tantalum powder and tantalum

bars. Despite the recent threats and tensions of the Sino-US trade war, as at the Latest Practicable Date, the United States has not imposed any additional tariff on the export of tantalum powder from China to the United States.

Given the above reasons, our Directors believe that it is an opportunity for our Group to extend our production into downstream products. We plan to gradually expand our customer base for downstream products by maintaining good relationship with our existing customers, and exploring opportunities with potential customers. We believe this development will enable us to offer a more comprehensive product portfolio (with both hydrometallurgical, pyro-metallurgical and processed tantalum- and niobium-based products) for our customers with different needs.

We plan to allocate approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) of the **[REDACTED]** from the **[REDACTED]** (based on the **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of the **[REDACTED]** range stated in this document and assuming the **[REDACTED]** is not exercised) to implement our plan to extend our production to downstream products. For details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

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

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

The table below sets out the details and significance of some recent research and development projects of our Group:

Project	Commencement date and completion date	Significance
Research and application of high purity niobium pentoxide for target materials (靶材級高純氧化鈮生產工藝研發與應用)	January 2015 to December 2015	As a result of this project, we developed a new niobium pentoxide product that has large loose specific weight and spherical shape. This product has been welcomed by our customers for producing target materials. We have also filed an application for a patent for such production method, namely, a method of preparing large loose specific weight and spherical niobium pentoxide（一種大松裝比重、球形五氧化二鈮的製備方法）.
Research and application of high purity niobium pentoxide for optical glass (高端光學玻璃用高純氧化鈮生產工藝的研發與應用)	January 2017 to December 2017	As a result of this project, we developed a new niobium pentoxide product with a reduced level of iron content, which met the specific requirements of a customer in Japan. We have also registered a patent for the results of this project, namely, a method to prepare high purity niobium oxide from alloy containing tantalum, niobium and iron (一種鈮鉭鐵合金製取高純氧化鈮的方法).
Research on extraction of fluoride from acidic waste water containing fluorine from hydrometallurgical process (從鉭鈮濕法冶煉含氟酸性廢水制取氟鹽產品工藝研究)	January 2017 to December 2017	As a result of this project, we have started to produce one of our recycled products, namely potassium fluorosilicate, in 2018.

Going forward, noting the expected growth in the market for higher purity pentoxide products and downstream pyro-metallurgical tantalum- and niobium-based products, we intend to devote our research and development efforts on the projects that involve (i) developing new production process, technologies and techniques; and (ii) developing products of different purity levels and specifications. As at 30 April 2019, we had eight on-going in-house research and development projects and two cooperative projects with research and academic institute and company in China.

We plan to commence five new research and development projects in 2020. The table below sets out the details and significance of these upcoming research and development projects:

Project	Expected commencement date and completion date	Purpose and function	Expected cost arrangement
			RMB'000
Research on application of high purity tantalum powder in semiconductor coating target materials (半導體鍍膜靶材用高純鉭粉的研究)	January 2020 to December 2021	To satisfy develop tantalum powder that can be used for producing semiconductor coating target materials	**[REDACTED]** (to be financed by **[REDACTED]** from the **[REDACTED]**)
			1,600 (to be financed by internal resources)
Research on production process of niobium pentoxide for application in lithium battery materials (鋰電材料用氧化鈮生產工藝研究)	January 2020 to December 2020	To develop a production method to produce niobium pentoxide which can be used in lithium battery	**[REDACTED]** (to be financed by **[REDACTED]** from the **[REDACTED]**)
			800 (to be financed by internal resources)
Research on new techniques on niobium oxide extraction (鉭鈮氧化物制取新工藝研究)	January 2020 to December 2020	To develop a production method to replace the use of ammonia in the production process of pentoxide products in order to reduce ammonia contained in the wastewater produced during the production process	**[REDACTED]** (to be financed by **[REDACTED]** from the **[REDACTED]**)
			800 (to be financed by internal resources)
Research on alkaline waste water resource management technique for tantalum- and niobium-based metallurgical industry (鉭鈮工業碱性廢水資源化治理創新技術研究)	January 2020 to December 2021	To recycle ammonium fluoride or ammonium hydrogen fluoride from waste water	**[REDACTED]** (to be financed by **[REDACTED]** from the **[REDACTED]**)
			3,000 (to be financed by internal resources)
Research on acidic waste water resource management technique for tantalum- and niobium-based metallurgical industry (鉭鈮工業酸性廢水資源化治理技術研究)	January 2020 to December 2020	To reduce the release of acidic waste water	**[REDACTED]** (to be financed by **[REDACTED]** from the **[REDACTED]**)
			1,500 (to be financed by internal resources)

We plan to utilise approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) of the **[REDACTED]** from the **[REDACTED]** (based on the **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of the **[REDACTED]** range stated in this document and assuming the **[REDACTED]** is not exercised) to finance part of the expected cost of the above research

and development projects, and the remaining expenses are expected to be financed by our internal resources and/or external funding. For further details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

In order to further enhance our research and development capabilities, we also plan to (i) attract and retain talented employees in the tantalum and niobium metallurgy industry by providing competitive remuneration packages, extensive training and attractive career development opportunities using our internal resources; and (ii) strengthen our cooperation with research and academic institutes to improve the production process and the quality of our products, while reducing production costs and improving efficiency in resource utilisation.

Strengthening our sales network in overseas markets

According to the CIC Report, a majority of the total output of tantalum and niobium metallurgical products produced by China-based tantalum and niobium metallurgy and processing companies is exported to international markets. For FY2016, FY2017, FY2018, 4M2018 and 4M2019, our overseas sales amounted to approximately RMB43.5 million, RMB46.9 million, RMB51.9 million, RMB10.0 million and RMB18.4 million, respectively.

We plan to continue to strengthen our sales network in overseas market and explore business opportunities in overseas markets in order to broaden our customer base, increase our market share and diversify our operations. In particular, we plan to:

(i) set up an office in the United Kingdom for strengthening our sales network, developing our relationship with customers and expanding our customer base in Europe. With an office established in the United Kingdom, we are of the view that our access to business opportunities in Europe would be improved, as we would be able to collect first-hand market information and to explore new business opportunities. We plan to utilise approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) of the **[REDACTED]** from the **[REDACTED]** (based on the **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of the **[REDACTED]** range stated in this document and assuming the **[REDACTED]** is not exercised) to finance the setting up of the office in the United Kingdom. For further details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document;

(ii) cooperate with different sales agents in Europe, who have good understanding of the local markets and access to the established sales channels in the EU countries; and

(iii) continue to extend our domestic overseas network through various means, such as participating in domestic and international industry exhibitions to introduce our products to existing and potential customers, with an aim to increase our exposure and enhance brand recognition.

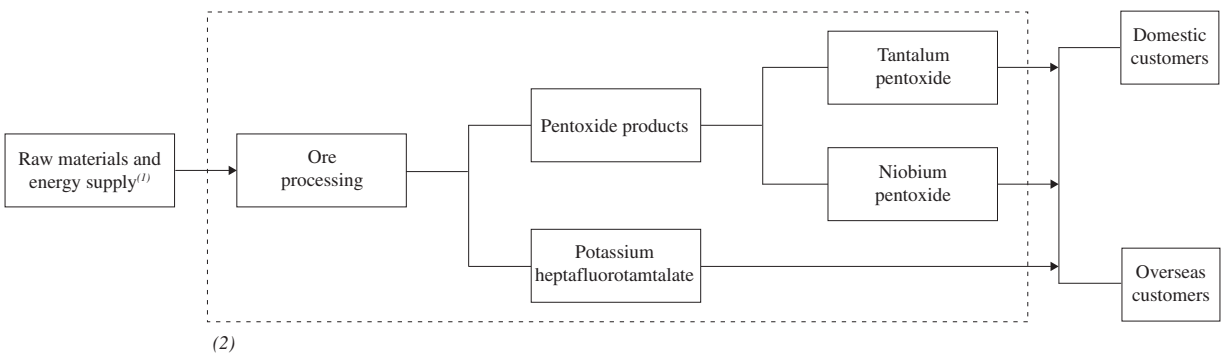
Further secure sources of our principal raw materials

Most of the ores supplied by our suppliers come from mines in Brazil and African countries. We have established long-term cooperative relationships with our suppliers, which enable us to procure the raw materials that are required for our production. In light of the expansion of our hydrometallurgical

production facilities in 2017 and our planned production of downstream products, we will explore avenues to further secure the supply of raw materials to us, such as: (i) entering into strategic alliances with some of our suppliers; and (ii) setting up an office in Brazil to enhance relationship with the local small and medium mine owners or suppliers, which in return will enable us to secure stable raw materials supply in Brazil. As such, we would be able to have a stable supply of raw materials by gaining access to the resources of the ores at market price, and reduce the order lead time for raw materials at a competitive price to meet our production plan and reduce reliance on suppliers which obtain ores from overseas mines and then resell them at a profit. We plan to utilise approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) of the **[REDACTED]** from the **[REDACTED]** (based on the **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of the **[REDACTED]** range stated in this document and assuming the **[REDACTED]** is not exercised) to finance the setting up of the office in Brazil. For further details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

OUR BUSINESS MODEL

We engage in the production and sale of two types of metallurgical products, namely pentoxide products and potassium heptafluorotantalate. The following diagram illustrates our business model regarding the production and sale of pentoxide products and potassium heptafluorotantalate:



Notes:

(1) Includes electricity and water, both of which are procured from Independent Third Parties.

(2) "- - -" denotes our principal business scope.

To a limited extent, we also: (i) sell processed products such as tantalum bars, tantalum carbide, niobium bars and niobium powder, which are produced by engaging third-party metallurgy companies to process pentoxide products and potassium heptafluorotantalate we produce, or purchased from third-party metallurgy companies; and (ii) provide processing services for processing tantalum ores and niobium ores into pentoxide products and potassium heptafluorotantalate.

For FY2016, FY2017, FY2018, 4M2018 and 4M2019, our revenue generated from sale of products amounted to approximately RMB199.2 million, RMB293.0 million, RMB504.1 million, RMB132.7 million and RMB202.4 million, respectively, constituting approximately 91.6%, 95.3%, 97.9%, 96.4% and 99.3% of our revenue, respectively. For the same periods, our revenue generated from the provision of processing services amounted to approximately RMB18.2 million, RMB14.3 million, RMB10.6 million, RMB5.0 million and RMB1.4 million, respectively, constituting approximately 8.4%, 4.7%,

2.1%, 3.6% and 0.7% of our revenue, respectively. For detailed analysis of our revenue, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Revenue" in this document.

OUR PRODUCTS

Our principal products are tantalum pentoxide and niobium pentoxide. We also produce and sell potassium heptafluorotantalate. To a limited extent, we also sell processed products such as tantalum bars, tantalum carbide, niobium bars and niobium powder. The following table sets forth the breakdown of our revenue from sale of products for the years/period indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Pentoxide products	167,398	84.0	235,447	80.3	340,815	67.6	109,955	82.8	150,988	74.6
Tantalum pentoxide:	93,703	47.0	105,449	36.0	126,635	25.1	53,112	40.0	61,718	30.5
Industrial grade tantalum pentoxide	*91,415*	*45.9*	*98,573*	*33.7*	*116,537*	*23.1*	*50,741*	*38.2*	*60,343*	*29.8*
High-purity tantalum pentoxide	*2,288*	*1.1*	*6,876*	*2.3*	*10,098*	*2.0*	*2,371*	*1.8*	*1,375*	*0.7*
Niobium pentoxide:	73,695	37.0	129,998	44.3	214,180	42.5	56,843	42.8	89,270	44.1
Industrial grade niobium pentoxide	*63,136*	*31.7*	*102,624*	*35.0*	*168,193*	*33.4*	*42,905*	*32.3*	*62,712*	*31.0*
High-purity niobium pentoxide	*10,559*	*5.3*	*27,374*	*9.3*	*45,987*	*9.1*	*13,938*	*10.5*	*26,558*	*13.1*
Potassium heptafluorotantalate	21,142	10.6	44,756	15.3	134,347	26.7	19,596	14.8	25,396	12.5
Processed products:	8,297	4.2	12,845	4.4	25,056	5.0	2,267	1.7	16,354	8.1
Tantalum bars	*6,821*	*3.4*	*12,786*	*4.4*	*20,392*	*4.1*	*2,250*	*1.7*	*11,321*	*5.6*
Tantalum carbide	*1,360*	*0.8*	—	—	—	—	—	—	—	—
Niobium bars	*97*	*0.0*	*2*	*0.0*	*4,647*	*0.9*	—	—	*5,033*	*2.5*
Niobium powder	*19*	*0.0*	*57*	*0.0*	*17*	*0.0*	*17*	*0.0*	—	—
Recycled products[(1)]	2,207	1.1	—	—	3,698	0.7	843	0.7	5,274	2.6
Others[(2)]	171	0.1	—	—	182	0.0	—	—	4,425	2.2
Total revenue from sale of products	**199,215**	**100.0**	**293,048**	**100.0**	**504,098**	**100.0**	**132,661**	**100.0**	**202,437**	**100.0**

Notes:

(1) Our recycled products included two types of products produced by recycling our waste materials, namely tin hydroxide and potassium fluorosilicate.

(2) For FY2016, we sold cobalt carbonate ($CoCO_3$), which is a type of by-product generated in our production process. For FY2018 and 4M2019, we sold ferro niobium tantalum alloy, which is a kind of impurity included in our raw materials.

Pentoxide Products

We are engaged in the production and sale of two types of pentoxide, namely tantalum pentoxide (Ta_2O_5) and niobium pentoxide (Nb_2O_5). Tantalum pentoxide is white or light yellow solid powder at room temperature, while niobium pentoxide is white solid powder at room temperature.

We set forth below illustrations of tantalum pentoxide and niobium pentoxide:

Tantalum pentoxide (Ta_2O_5)

Niobium pentoxide (Nb_2O_5)

Due to their comparatively superior characteristics in mechanical properties, malleability and heat resistance, both tantalum pentoxide and niobium pentoxide are widely used in the manufacturing processes across the industries of special alloy, chemical, electronic ceramics, aeronautics, aerospace, high-end electronics, defence and hard alloy. Tantalum pentoxide and niobium pentoxide can be used to manufacture pyro-metallurgical products and processed products, such as tantalum carbide, niobium ingots and niobium powder, which are then used as ingredients or raw materials in the manufacturing processes of high-end electronic components, camera lenses of mobile phones, artificial bones, high-speed trains and aircraft carriers.

By purity, tantalum pentoxide and niobium pentoxide are further classified into industrial grade tantalum pentoxide and high-purity tantalum pentoxide, and industrial grade niobium pentoxide and high-purity niobium pentoxide, respectively. For more information, please refer to the paragraph headed "Production process" in this section. Because of their purity levels, high-purity tantalum pentoxide and high-purity niobium pentoxide are widely used for the production of high-performance optical glass, optical coating films and target materials which can be further used in end products like mobile phones, high-end integrated circuits and super-conducting materials.

Potassium Heptafluorotantalate (K_2TaF_7)

Potassium heptafluorotantalate (K_2TaF_7) is white crystalline solid at room temperature, and is mainly used to manufacture tantalum powder and tantalum bars, which are then mainly used to produce special alloys and high-end electronic components. We set forth below an illustration of potassium heptafluorotantalate:

Potassium heptafluorotantalate (K_2TaF_7)

Processed Products

We strive to maintain good relationships with our existing customers and expand our customer base. In order to facilitate our expansion into downstream production and sales by gaining understanding of potential customers' needs and expectations, we also sell processed products such as tantalum bars, tantalum carbide, niobium bars and niobium powder, which are produced by engaging third-party metallurgy companies to process the pentoxide products and potassium heptafluorotantalate we produce, or purchased from third-party metallurgy companies. For more information on the applications of such processed products, please refer to the paragraph headed "Pentoxide products" in this section.

We set forth below illustrations of these processed products:

Tantalum bars

Tantalum carbide

Niobium powder

Niobium bars

The following table sets forth the sales volume and average selling price for the years/periods indicated:

	FY2016			FY2017			FY2018			4M2018			4M2019		
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	RMB'000	tonne	RMB'000	RMB'000	tonne	RMB'000	RMB'000	tonne	RMB'000	RMB'000 (unaudited)	tonne	RMB'000	RMB'000	tonne	RMB'000
Sale of products															
Pentoxide products:															
Tantalum pentoxide:															
Industrial grade tantalum pentoxide	*91,415*	*98.4*	*929.4*	*98,573*	*87.0*	*1,132.4*	*116,537*	*81.6*	*1,428.2*	*50,741*	*35.2*	*1,442.1*	*60,343*	*46.5*	*1,298.3*
High-purity tantalum pentoxide	*2,288*	*2.0*	*1,150.4*	*6,876*	*5.6*	*1,224.8*	*10,098*	*6.5*	*1,549.7*	*2,371*	*1.8*	*1,296.0*	*1,375*	*0.9*	*1,551.9*
Niobium pentoxide:															
Industrial grade niobium pentoxide	*63,136*	*442.3*	*142.7*	*102,624*	*572.7*	*179.2*	*168,193*	*751.7*	*223.8*	*42,905*	*188.2*	*228.0*	*62,712*	*294.9*	*212.6*
High-purity niobium pentoxide	*10,559*	*49.6*	*213.0*	*27,374*	*123.7*	*221.2*	*45,987*	*169.1*	*272.0*	*13,938*	*53.2*	*262.1*	*26,558*	*100.0*	*265.6*
Potassium heptafluorotantalate	21,142	43.3	488.3	44,756	62.0	721.9	134,347	159.0	845.2	19,596	23.6	832.0	25,396	35.0	725.6
Processed products:															
Tantalum bars	*6,821*	*4.2*	*1,605.3*	*12,786*	*7.0*	*1,826.6*	*20,392*	*9.2*	*2,216.5*	*2,250*	*1.0*	*2,248.9*	*11,321*	*5.5*	*2,058.4*
Tantalum carbide	*1,360*	*1.0*	*1,360.3*	—	—	—	—	—	—	—	—	—	—	—	—
Niobium bars	*97*	*0.3*	*324.8*	*2*	*0.0*	*367.5*	*4,647*	*11.5*	*404.1*	—	—	—	*5,033*	*12.2*	*412.3*
Niobium powder	*19*	*0.0*	*512.8*	*57*	*0.1*	*535.9*	*17*	*0.0*	*598.3*	*17*	*0.0*	*598.3*	—	—	—
Recycled products	2,207	26.7	82.8	—	—	—	3,698	1,330.4	2.8	843	286.8	2.9	5,274	135.0	39.1
Others	171	1.7	100.9	—	—	—	182	0.8	219.8	—	—	—	4,425	24.2	182.7
Processing services	18,226	251.1	72.6	14,312	134.2	106.6	10,620	93.0	114.3	4,957	33.5	148.1	1,408	10.8	130.2
Total	**217,441**	**920.6**		**307,360**	**992.3**		**514,718**	**2,612.8**		**137,618**	**623.3**		**203,845**	**665.0**	

Notes:

(1) Our recycled products included two types of products that are produced by recycling our waste materials, namely tin hydroxide and potassium fluorosilicate.

(2) For FY2016, we sold cobalt carbonate ($CoCO_3$), which is a type of by-product generated in our production process. For FY2018 and 4M2019, we sold ferro niobium tantalum alloy, which is a kind of impurity included in our raw materials.

(3) We provided processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate products.

For reasons of the change in average selling price and sales volume during the Track Record Period, please refer to the paragraph headed "Financial Information — Principal components of the consolidated statements of profit or loss — Sales volume and average selling price" in this document.

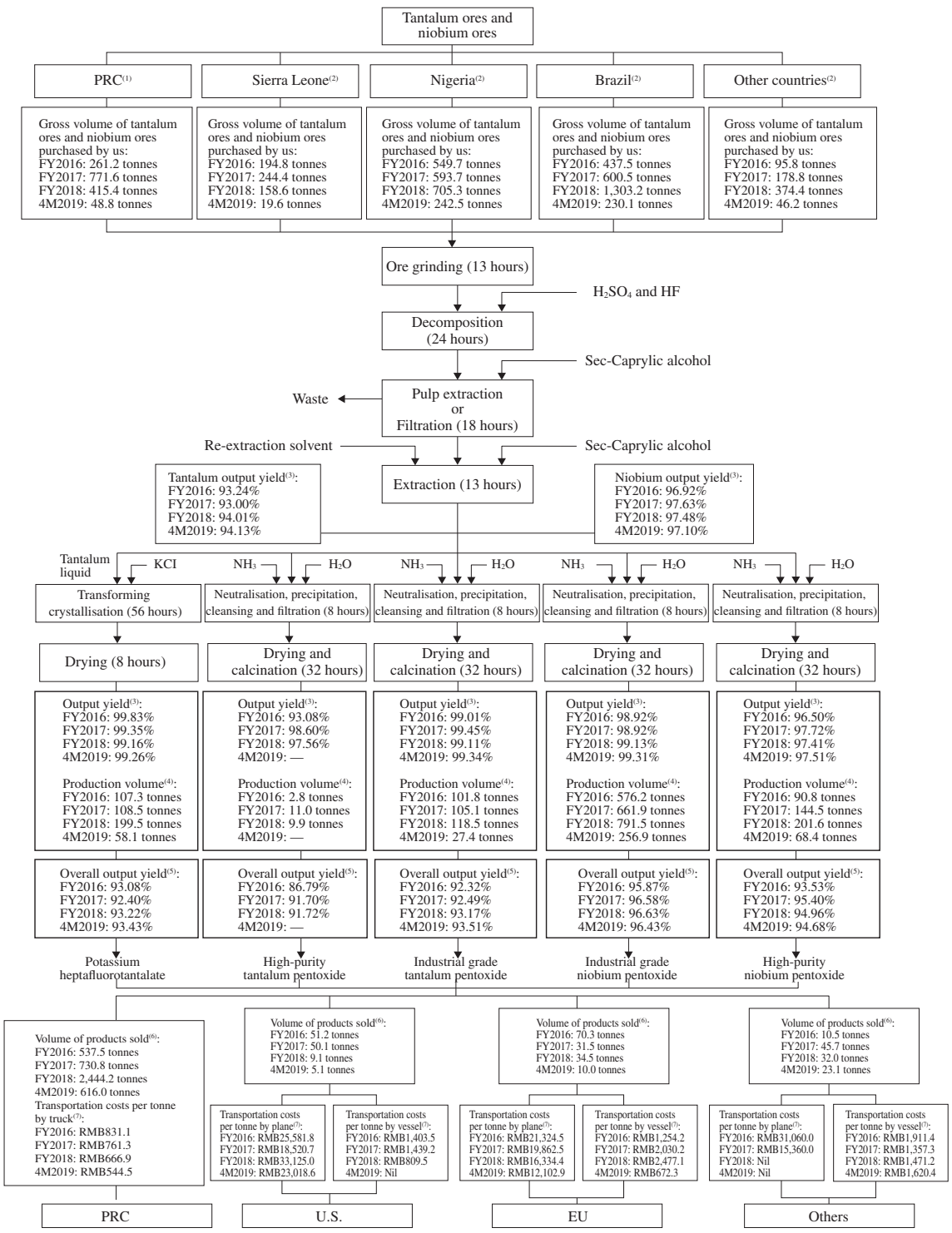
During the Track Record Period, we have received positive feedback from our customers on our pentoxide products and potassium heptafluorotantalate which consistently meet the industry standards on purity, which enabled us to gain greater market recognition, and therefore greater demand, for such products. According to the CIC Report, our techniques have enabled us to reduce the impurities of several metallic elements that are hard to remove to a designated level, and as such we can offer specific products that serve our customers' needs. We believe such positive feedback from our customers attributed to our continuous effort, as (i) we work closely with our customers to understand their technical specifications, such as specified particle size and shape; and (ii) we improve the purity level of our products and develop products with different physical properties through research and development efforts. The highest purity of our high-purity pentoxide products delivered to our customers was not less than 99.99%, compared with the industry standards for high-purity pentoxide products on purity level of not less than 99.95%.

	Industry standards on purity	**Highest purity of our products delivered to customers**
Industrial grade tantalum pentoxide	99.0% to 99.6%	higher than 99.8%
High-purity tantalum pentoxide	not less than 99.95%	not less than 99.99%
Industrial grade niobium pentoxide	99.0% to 99.6%	not less than 99.8%
High-purity niobium pentoxide	not less than 99.95%	not less than 99.99%
Potassium heptafluorotantalate	55.8% to 56.8%	56.8%

Supported by our research and development capabilities, we are able to constantly improve our impurity-removing techniques by improving the key formula of impurity-removing reagents and solvents. For example, the metallic element antimony (銻) is commonly found in the tantalum and niobium ores but difficult to remove in the extraction process. We successfully developed a new kind of antimony-removing reagent that helps create antimony-based metal complex (銻絡合物) to remove antimony from tantalum and niobium liquids. Another example is our successful development and adoption of copper-removing reagent, leading to better quality of our products in terms of lower copper impurity.

PRODUCTION PROCESS

We use tantalum ores and niobium ores as principal raw materials in our production of pentoxide products and potassium heptafluorotantalate. The production time for each critical process and the total amount of time required for producing each type of finished products differ due to their respective physical and chemical features, the grade of ores and the technology involved. The following diagram sets forth a summary of the production process of our major products with average processing time and relevant data during the Track Record Period:



Notes:

(1) For tantalum ores and niobium ores sourced from suppliers in the PRC who sourced the same from mines in various countries, the transportation costs were generally borne by our suppliers and therefore not recorded in our cost of sales. To the best knowledge of our Directors, for FY2016, FY2017, FY2018 and 4M2019, apart from approximately 107.0 tonnes, 197.0 tonnes, nil and nil of tantalum ores and niobium ores (due to the low concentration level of these ores) that originated from the PRC, the other tantalum ores and niobium ores supplied by our suppliers in the PRC were from mines in other countries. During the Track Record Period, we purchased tantalum ores and niobium ores that originated from the PRC from two mining companies, namely Guangxi Non-ferrous Limu Mining Co., Ltd. and Supplier M, a mining company in Jiangxi Province.

(2) The costs of transportation from mines to ports in the PRC by vessel were generally borne by our suppliers and therefore not recorded in our cost of sales. The transportation costs from ports in the PRC to our production facilities (including import charges, agency fees, port construction dues, commodity inspection fees, and delivery fees) were approximately RMB196.1, RMB368.7, RMB399.8 and RMB426.7 per tonne for FY2016, FY2017, FY2018 and 4M2019, respectively.

(3) The output yield represents output volume of tantalum or niobium contents in the products for the year/period divided by input volume of tantalum or niobium contents in the raw materials used to produce the products for the year/period. When calculating the output yield, ores provided by our customers for processing services and products produced for processing services are included. The total input volume of tantalum contents in the raw materials for FY2016, FY2017, FY2018 and 4M2019 amounted to approximately 172.3 tonnes, 194.5 tonnes, 259.5 tonnes and 63.3 tonnes, respectively. The total input volume of niobium contents in the raw materials for FY2016, FY2017, FY2018 and 4M2019 amounted to approximately 695.8 tonnes, 835.2 tonnes, 1,114.3 tonnes and 293.3 tonnes, respectively.

(4) Production volume represents actual production volume for sale of products and provision of processing services. The actual production volume for sale of products for FY2016, FY2017, FY2018 and 4M2019 amounted to approximately 653.7 tonnes, 904.2 tonnes, 1,221.5 tonnes and 391.6 tonnes, respectively. The actual production volume for processing services for FY2016, FY2017, FY2018 and 4M2019 amounted to approximately 225.2 tonnes, 126.8 tonnes, 99.5 tonnes and 19.2 tonnes, respectively.

(5) The overall output yield from tantalum or niobium contents in the raw materials to tantalum or niobium contents in the finished goods is a theoretical value, because the volume of intermediate products produced after extraction could be different from the input volume of intermediate products to produce the finished goods, primarily due to the movement of intermediate product inventory balance.

(6) The volume of products sold represents the sales volume attributable to sales of products and includes processed products, recycled products and other products. The differences between the production volume and the volume of products sold mainly represent the volume of such products that: (i) we produced for the provision of processing services; (ii) we engaged third-party metallurgy companies to process the products we produced into processed products; and (iii) are reflected in the movement of inventories balance.

(7) The transportation costs per tonne to each destination only represent those of major means of transportation to such destination.

The table below sets forth the detailed information on our purchase from mining companies of tantalum ores and niobium ores that originated from the PRC during the Track Record Period:

		FY2016			FY2017			FY2018			4M2019		
		Tantalum and niobium ores	Tantalum and niobium content	Grade	Tantalum and niobium ores	Tantalum and niobium content	Grade	Tantalum and niobium ores	Tantalum and niobium content	Grade	Tantalum and niobium ores	Tantalum and niobium content	Grade
		tonne	tonne	%	tonne	tonne	%	tonne	tonne	%	tonne	tonne	%
Guangxi Non-ferrous Limu Mining Co., Ltd.* (廣西有色栗木礦業有限公司)	Mining company	97.0	4.5	4.6	156.9	8.7	5.5	0.3	0.2	66.7	—	—	—
Supplier M	Mining company	10.0	2.8	28.0	40.2	12.3	30.6	—	—	—	—	—	—
Total		107.0	7.3	6.8	197.1	21.0	10.7	0.3	0.2	66.7	—	—	—

Compared with tantalum-niobium mines in major reserves of tantalum and niobium globally, the ore grade in China is much lower, with the average tantalum ore grade ranging between 0.008% and 0.016% and the average niobium ore grade ranging between 0.02% and 0.03%. This is mainly because: (i) there is no highly-concentrated tantalum or niobium mine in China, and tantalum and niobium ores are often found in iron mines and rare earth mines, which increases difficulty in extracting tantalum and niobium elements; (ii) tantalum and niobium elements are more dispersed in the mine in China compared with major reserves globally; and (iii) tantalum and niobium grain size is smaller in China compared to that of major reserves globally.

The tables below illustrate tantalum ore grade and niobium ore grade in major tantalum and niobium reserves globally and in the PRC:

Tantalum Ore Grade

Canada	0.11%
Mozambique	0.07%
Ethiopia	0.05%
Australia	0.02%-0.05%
Brazil	0.04%
China	0.008%-0.016%

Source: United States Department of the Interior, CIC

Niobium Ore Grade

Brazil	1.57%–3.00%
Zaire	0.90%–1.60%
Kenya	0.70%
Canada	0.43%–0.72%
Tanzania	0.40%
China	0.02%–0.03%

Source: United States Department of the Interior, CIC

The tables below set forth the wet weight of tantalum and niobium ores purchased by us, our total purchase amount of tantalum and niobium ores, and content of pentoxide in tantalum and niobium ores purchased by us during the Track Record Period:

Wet weight of tantalum and niobium ores purchased by us

	FY2016		FY2017		FY2018		4M2019	
	International purchase	Domestic purchase	International purchase	Domestic purchase	International purchase	Domestic purchase	International purchase	Domestic purchase
	tonne		tonne		tonne		tonne	
Wet weight of tantalum and niobium ores	1,277.8	261.2	1,617.4	771.6	2,541.5	415.4	538.4	48.8
Total		1,539.0		2,389.0		2,956.9		587.2

Our total purchase amount of tantalum and niobium ores

	FY2016		FY2017		FY2018		4M2019	
	International purchase	Domestic purchase	International purchase	Domestic purchase	International purchase	Domestic purchase	International purchase	Domestic purchase
	RMB million		RMB million		RMB million		RMB million	
Purchase amount of tantalum and niobium ores	119.9	6.9	170.9	50.1	325.6	48.2	67.7	7.1
Total		126.8		221.0		373.8		74.8

Content of pentoxide in tantalum and niobium ores purchased by us

	FY2016		FY2017		FY2018		4M2019	
	tonne	%	tonne	%	tonne	%	tonne	%
Tantalum pentoxide	118.8	7.7	179.1	7.5	231.5	7.8	52.7	9.0
Niobium pentoxide	543.7	35.3	779.2	32.6	1,287.1	43.5	259.3	44.2
Total	662.5	43.0	958.3	40.1	1,518.6	51.3	312.0	53.2

The production process for pentoxide products is as follows:

- *Ore grinding*. Tantalum ores and niobium ores are transported into a grinding machine to be ground into tiny particles.

- *Decomposition*. The tiny particles are then transported into a decomposer to undergo chemical reactions with hydrofluoric acid and sulphuric acid, where tantalum and niobium particles are dissolved into solution. Waste water produced during this process contains fluorine and can be used for the production of potassium fluorosilicate.

- *Pulp extraction*. The solution is then extracted in a pulp extraction tank, where tantalum and niobium are extracted by extraction agents and loaded organic phase containing tantalum and niobium is produced. Waste liquid produced during this process can be used for recycling of tin to produce tin concentrate and tin hydroxide, and fluorine to produce potassium fluotitanate and potassium fluorosilicate.

- *Extraction*. The loaded organic phase containing tantalum and niobium undergo another extraction process, where liquid tantalum and liquid niobium are separately produced by removing impurities. Waste water produced during this process can be used for recycling of tungsten to produce tungsten acid, and fluorine to produce potassium fluorosilicate.

- *Neutralisation and precipitation*. The liquid tantalum and liquid niobium are pumped into two separate neutralisation tanks to be neutralised by adding ammonia, where tantalum hydroxide and niobium hydroxide are produced separately.

- *Cleansing and filtration*. Tantalum hydroxide and niobium hydroxide are cleansed by adding diluted aqua ammonia to absorb fluorination. Solid-liquid separation is then conducted through a pressure filter, where a filter cake of hydroxide is produced.

- *Drying and calcination*. The filter cake of hydroxide is then transported into a converter for drying and calcinations, where industrial grade and high-purity tantalum pentoxide and industrial grade and high-purity niobium pentoxide are produced at a temperature of 800°C.

Unlike the production of tantalum pentoxide and niobium pentoxide, the production of potassium heptafluorotantalate does not require calcination.

The production feeds in the whole process include hydrofluoric acid, sulphuric acid, sec-Caprylic alcohol, potassium chloride, ammonia and water. The facilities and equipment include grinding machines, decomposers, pulp extraction tanks, neutralisation tanks, pressure filters and converters.

PROCESSING SERVICES

During the Track Record Period, we also provided processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate products. The sales volume for processing services was approximately 251.1 tonnes, 134.2 tonnes, 93.0 tonnes and 10.8 tonnes for FY2016, FY2017, FY2018 and 4M2019, respectively. Our revenue generated from processing services amounted to approximately RMB18.2 million, RMB14.3 million, RMB10.6 million and RMB1.4 million, respectively, accounting for approximately 8.4%, 4.7%, 2.1% and 0.7% of our revenue, respectively, for the same years/period. The average selling price for processing services was approximately RMB72,600 per tonne, RMB106,600 per tonne, RMB114,300 per tonne and RMB130,200 per tonne for FY2016, FY2017, FY2018 and 4M2019, respectively. The decrease in our revenue from the provision of processing services was mainly due to we allocate our production capacity to focus more on production for sale of products than for processing services in view of the higher average price for sale of products than that for processing services.

PRODUCTION FACILITIES

Production facilities for pentoxide products and potassium heptafluorotantalate

As at the Latest Practicable Date, we had a single production plant on our self-used land located in Yingde, Guangdong Province, with a total site area of approximately 113,306 sq.m.. We are in close proximity to several major national and provincial expressways and ports, connecting us with the major cities in Guangdong Province, as well as enabling us to ship our products and procure our principal raw materials overseas through the South China Sea. Our favourable location and convenient access to a variety of transportation infrastructures allow us to effectively market and sell our products to customers in Guangdong Province and surrounding provinces, and to control the transportation costs for selling our products to customers in other parts of China and overseas.

According to the CIC Report, it is expected that the production volume of pentoxide (including high-purity tantalum pentoxide and high-purity niobium pentoxide) in the PRC market would continue to grow primarily due to the increasing market demand from various downstream industries. Given that (i) we are the largest producer of tantalum and niobium hydrometallurgical products in China, holding 35.8% of the market share in terms of production volume for sale of products for FY2018; and (ii) the utilisation rate of our production lines for pentoxide products was approximately 87.4% for FY2018, we expect (i) the increasing demand for our pentoxide products to be in line with the expected growth of the market size in terms of sales; and (ii) the market size of downstream industries of tantalum pentoxide and niobium pentoxide to continue experiencing growth.

With a view to meeting the market demand for tantalum pentoxide and niobium pentoxide, we commenced the construction of four new production lines for pentoxide products in our existing production plant in 2017, and expanded our estimated annual production capacity of pentoxide products from approximately 804 tonnes as at 31 December 2017 to approximately 1,282.5 tonnes as at 31 December 2018. Our estimated production capacity of high-purity tantalum pentoxide and high-purity niobium pentoxide has been increased from approximately three tonnes per year and approximately 153 tonnes per year as at 31 December 2017 to approximately 60 tonnes per year and approximately 228 tonnes per year as at 31 December 2018, respectively. In view of the relatively low utilisation rate for the production line for potassium heptafluorotantalate (as compared to the production lines for pentoxide products) for FY2016 and FY2017, we did not increase the estimated annual production capacity of potassium heptafluorotantalate during our production lines expansion in 2017.

As at the Latest Practicable Date, our plant had nine production lines for pentoxide products and potassium heptafluorotantalate. The following tables set forth the utilisation rates of our production lines by product type during the Track Record Period:

	As at/For the year ended 31 December			As at/For the period end 30 April
Pentoxide	**2016**	**2017**	**2018**	**2019**
Estimated production capacity[(1)] (*tonnes*)	804	804	1,282.5	N/A
Actual production volume (*tonnes*)	771.6	922.5	1,121.5	352.7
Production volume for sale of products[(2)] (*tonnes*)	608.1	820.2	1,040.0	345.3
Production volume for provision of processing services (*tonnes*)	163.5	102.3	81.5	7.4
Utilisation rate[(3)] (%)	96.0	114.7[(4)]	87.4	N/A

	As at/For the year ended 31 December			As at/For the period end 30 April
Potassium heptafluorotantalate	**2016**	**2017**	**2018**	**2019**
Estimated production capacity[(1)] (*tonnes*)	207	207	207	N/A
Actual production volume (*tonnes*)	107.3	108.5	199.5	58.1
Production volume for sale of products[(5)] (*tonnes*)	45.6	84.0	181.5	46.3
Production volume for provision of processing services (*tonnes*)	61.7	24.5	18.0	11.8
Utilisation rate[(3)] (%)	51.8	52.4	96.4	N/A

Notes:

(1) The estimated production capacity for each product was calculated based on 300 working days per year with 24 working hours per day.

(2) The production volume of pentoxide products includes the pentoxide products we engaged third-party metallurgy companies to process into processed products such as niobium powder, niobium bars and tantalum carbide, which in aggregate amounted to approximately 1.6 tonnes, nil, 10.1 tonnes and 15.0 tonnes, respectively, for FY2016, FY2017, FY2018 and 4M2019.

(3) Utilisation rate is derived by dividing the actual production volume for the relevant year by the estimated production capacity for the relevant year.

(4) The utilisation rate of our production line for pentoxide products exceeded 100.0% for FY2017 primarily because we reduced the frequency of equipment maintenance and increased the number of production days to fulfil our orders during the year.

(5) The production volume of potassium heptafluorotantalate includes the potassium heptafluorotantalate we engaged third-party metallurgy companies to process into processed products, namely tantalum bars, which amounted to approximately 12.1 tonnes, 14.5 tonnes, 33.8 tonnes and 1.2 tonnes, respectively, for FY2016, FY2017, FY2018 and 4M2019.

Facilities for waste material recycling

As at the Latest Practicable Date, we could produce up to six types of recycled products using our waste material recycling facilities, including:

- *Tin concentrate* is the ore concentrate produced by conducting preliminary processing of tin ores, and can be used by tin metallurgy companies to produce tin ingots.

- *Tin hydroxide* ($Sn(OH)_4$), also known as stannic hydroxide, is white or light yellow solid powder at room temperature, and can be used for the production of pigments, pesticides and tin ingots.

- *Tungsten trioxide* (WO_3), also known as tungstic anhydride, is white or light yellow solid powder at room temperature. Tungsten trioxide is widely used for the production of x-ray screen phosphors, fireproofing fabrics and gas sensors.

- *Tungsten acid* (H_2WO_4), is tungsten trioxide in hydrated form, and can be used to produce tungsten powder, which are widely used in the petrochemical industry as additives.

- *Potassium fluorosilicate* (K_2SiF_6), is white, odourless and tasteless crystal substance or powder, and can be used for the production of preservatives and insecticides. It is also a raw material for production of optical glass.

- *Potassium fluorotitanate* (K_2TiF_6), is a colourless crystal substance, and can be used as: (i) catalyst to produce polypropylene; (ii) a raw material to produce aluminium titanium boron alloy; and (iii) a raw material to produce potassium fluoroaluminate that is expected to be increasingly used as additives in aluminium metallurgy industry to save energy costs.

Our recycled products are produced by processing the waste water produced during our production process of pentoxide products and potassium heptafluorotantalate and the type of recycled products that could be produced depends on the impurities contained in the waste water. For FY2016, FY2018 and 4M2019, we sold two types of recycled products, namely tin hydroxide and potassium fluorosilicate, to our customers. For FY2016, the revenue generated from sales of tin hydroxide amounted to approximately RMB2.2 million, accounting for approximately 1.0% of our total revenue. We did not generate any revenue from sales of such recycled products for FY2017 mainly due to our small production volume of recycled products. For FY2018, the revenue generated from sales of potassium fluorosilicate amounted to approximately RMB3.7 million, accounting for approximately 0.7% of our total revenue. For 4M2019, the revenue generated from sales of tin hydroxide and potassium fluorosilicate amounted to approximately RMB5.3 million, accounting for approximately 2.6% of our total revenue. We did not sell any tin concentrate, tungsten trioxide, tungsten acid and potassium fluorotitanate during the Track Record Period, mainly because of the small production volume of these products.

Our plan to extend our production and sales to downstream products

We plan to extend our production and sales to downstream products by setting up new production facilities to produce downstream tantalum-based products, such as tantalum powder and tantalum bars. For details, please refer to the paragraph headed "Our business strategies" in this section.

Major asset and equipment

As at 30 April 2019, we had the following major machinery and equipment at our production facilities:

Machinery	Major function	Origin	Number of unit(s)	Approximate estimated average age	Approximate estimated average remaining useful lives
				(years)	(years)
Ammonia-nitrogen Tower System (氨氮塔系統)	Recycling of ammonia	China	1	10	3.6
Vertical Automatic pressure filter (全自動立式壓濾機)	Filtration	China	1	10	9.6
Gas converter (燃氣轉爐)	Drying of pentoxide	China	1	10	9.6
Exhaust gas treatment system (廢氣處理系統)	Exhaust gas treatment	China	1	10	9.8
Inductively coupled plasma mass spectrometry (電感耦合等離子體質譜儀)	Product analysis	United States	1	10	3.3
Diesel generator	Back-up electricity supply	China	1	10	8.6

We carry out repair and maintenance of our major machinery and equipment whenever necessary. We also carry out routine repair and maintenance of our machinery and equipment during Chinese New Year holidays every year. For FY2016, FY2017, FY2018, our production facilities were closed down for ten days, two days, seven days for general maintenance. Since we needed to test the machinery acquired during the expansion of our production facilities and the total production volume of pentoxide products and potassium heptafluorotantalate increased by approximately 28.1% from approximately 1,031.0 tonnes for FY2017 to approximately 1,321 tonnes for FY2018, our Directors considered that it was necessary to have a longer downtime than the past years for testing of new machinery and routine repair and maintenance in February 2019, our production facilities was closed for 25 days during 4M2019 for general maintenance. During the Track Record Period and up to the Latest Practicable Date, there had been no major disruption of our business operation due to machine or equipment failure.

RESEARCH AND DEVELOPMENT

We place significant emphasis on research and development. To advance our research and development capabilities, we have established a research and development department, which, as at 30 April 2019, comprised ten employees. Our research and development department is led by our executive Director and chief executive officer, Mr. Wu, and our vice president, Mr. Zhong Yuelian, who have over 30 and 25 years of experience in the tantalum and niobium metallurgy industry, respectively. In

addition, two of our senior engineers and an industrial analysis engineer also participate in our research and development projects. The table below sets forth the qualifications of Mr. Wu and Mr. Zhong Yuelian as well as the employees who participate in our research and development projects:

Name	Qualification	Authority granting the qualification	Education background	Major	Approximate years of experience in the industry
Wu Lijue (吳理覺)	Senior engineer(Note)	China Non-ferrous Metal Industry Corporation	Bachelor's degree	Powder metallurgy	30
Zhong Yuelian (鐘嶽聯)	Senior rare metal metallurgical engineer(Note)	Human Resources and Social Security Department of Guangdong Province	Bachelor's degree	Physical chemistry of metallurgy	25
Yuan Ningfeng (袁寧峰)	Senior engineer(Note)	Human Resources Department of Ningxia Hui Autonomous Region	Bachelor's degree	Non-ferrous metallurgy	25
Yuan Hui (袁慧)	Industrial analysis engineer	Human Resources and Social Security Department of Guangdong Province	Diploma	Non-ferrous metallurgy	25
Shi Bo (石波)	Metallurgical engineer	Human Resources and Social Security Department of Guangdong Province	Bachelor's degree	Non-ferrous metallurgy	20
Ding Zhongyao (丁忠耀)	First-level/Senior technician	The Ministry of Human Resources and Social Security, PRC	Diploma	Administrative management	20
Wu Meihui (吳美慧)	Assistant chemical analysis engineer	Yingde Municipal Human Resources and Social Security Bureau	Diploma	Industrial analysis and testing	5
Li Chao (李超)	Assistant chemical engineering engineer	Yingde Municipal Human Resources and Social Security Bureau	Bachelor's degree	Applied chemistry	4
Ma Kunpeng (馬昆鵬)	Bachelor's degree	Hunan University of Technology	Bachelor's degree	Chemical engineering and technology	3
Huang Jungui (黃俊貴)	Bachelor's degree	Zhengzhou University of Light Industry	Bachelor's degree	Electrochemical Engineering	1
Dai Yun (代雲)	Senior engineer(Note)	Human Resources and Social Security Department of Yunnan Province	Bachelor's degree	Non-ferrous metallurgy	Newly joined the industry
Cheng Yun (程昀)	Doctoral degree	Central South University	Doctoral degree	New energy materials and devices	Newly joined the industry
Deng Chaoyong (鄧朝勇)	Doctoral degree	Central South University	Doctoral degree	Material science and engineering	Newly joined the industry
Xie Yong (謝勇)	Bachelor's degree	Jishou University	Bachelor's degree	Applied chemistry	Newly jointed the industry
Li Bin (李斌)	Master's degree	Taiyuan University of Science and Technology	Master's degree	Ferrous metallurgy	Newly jointed the industry

Note: In order to be accredited as a senior engineer, an individual has to satisfy the academic qualification and working experience requirement set by the accrediting authority. For example, the requirements for obtaining a senior engineer qualification from the Human Resources and Social Security Department of Guangdong Province include: (i) professional work experience with a doctoral degree and with over two years being in the position of an engineer after obtaining an engineer qualification; (ii) professional work experience with a bachelor's degree or above and with over five years being in a position of an engineer after obtaining the qualification of an engineer; or (iii) over 20 years of professional work experience with an associate degree and with over five years being in a position of an engineer after obtaining the qualification of an engineer. A senior qualification represents extensive knowledge about the industry, strong innovative capability, and contribution to major engineering or technological projects.

The table below sets out the number of senior engineers in the top five players in the PRC tantalum- and niobium-based hydrometallurgical products market in terms of production volume in 2018, according to the CIC Report:

Ranking	Enterprises	Number of senior engineers
1	Our Group	3
2	Company One	11
3	Company Two	1
4	Company Three	9
5	Company Four	0

In addition to our in-house research and development personnel, we have established a science and technology personnel workstation at our plant during the Track Record Period. During the period from April 2015 to April 2018, we received assistance of four senior engineers from Guangzhou Research Institute of Non-ferrous Metals (廣州有色金屬研究院). During the period from March 2018 to March 2019, we received assistance from two senior engineers and one technician with a PhD degree in non-ferrous metallurgy from Institute for the Comprehensive Utilisation of Resources of Guangdong Province (廣東省資源綜合利用研究所). We also established collaborative relationships with research and academic institute and company in China to develop innovative metallurgical technologies during the Track Record Period. As at 30 April 2019, we had eight on-going in-house research and development projects and two cooperative projects with research and academic institute and company in China. For FY2016, FY2017, FY2018 and 4M2019, we incurred approximately RMB8.4 million, RMB12.2 million, RMB22.7 million and RMB5.7 million, respectively, on research and development, representing 3.9%, 4.0%, 4.4% and 2.8% of our total revenue for the same years/period, compared to the industry average of 1.5%, according to CIC. For more information, please refer to the paragraph headed "Our competitive strengths" in this section.

For FY2016, FY2017, FY2018 and 4M2019, we incurred approximately RMB8.4 million, RMB12.2 million, RMB22.7 million and RMB5.7 million, respectively, on research and development, representing approximately 3.9%, 4.0%, 4.4% and 2.8% of our revenue for the same period. During the Track Record Period, our research and development expenses mainly consisted of costs relating to remuneration of our research staff, intellectual property management and application for government funding.

Through our research and development efforts, we have been able to continuously improve the purity level of tantalum pentoxide and niobium pentoxide, develop niobium pentoxide with different physical properties to be applied in different industries, and enhance our capabilities in recycling waste materials for environmental protection, such as recovering different tin and tungsten resources from waste water. As at the Latest Practicable Date, we could produce up to six types of recycled products, and we have registered two patents in China regarding recycling tin and tungsten from waste water. As a result of our efforts, we owned 24 patents in China relating to production equipment and process as at the Latest Practicable Date. In addition, as at the Latest Practicable Date, we had filed 11 patent applications pending registration with the competent authorities in China. We intend to focus our

research and development efforts on: (i) improving the techniques for processing tantalum ores and niobium ores; (ii) developing pentoxide products with high purity level and special physical properties; (iii) developing new products; and (iv) recycling and utilising waste materials.

Generally by the end of each year, we set out our research and development plan and approve new research and development projects for the coming year, based on our production and market demand. For FY2016, FY2017 and FY2018, there were seven, ten and six in-house research and development projects respectively. As at 30 April 2019, we had eight in-house research and development projects on hand and the following table sets forth the key terms of such in-house research and development projects:

Project	Valid term	Cost arrangement
Research and development on new extraction technology (萃取新工藝研究)	January 2019 – December 2019	• Total expected cost: RMB1.5 million
Technical research on recycling fluorinated waste products (含氟鹼性廢水資源化治理技術研究)	January 2019 – December 2019	• Total expected cost: RMB1.5 million
Technical research for recycling waste acid and waste products (酸性廢水廢酸回收技術研究)	January 2019 – December 2019	• Total expected cost: RMB0.8 million
Technical research and application of fluorine salt product for fluorine-containing acidic waste products (含氟酸性廢水制取氟鹽產品技術研究與應用)	May 2018 – December 2019	• Total expected cost: RMB1.8 million
Technical research on electronic grade of tantalum (niobium) and high-purity skill (電子級鉭(鈮)醇鹽的電化學合成與高效純化技術)	September 2018 – August 2023	• Total expected cost: RMB33.3 million
Technical research and application on high purity production of tantalum — niobium alloy (鈮鉭鐵合金制取高純氧化鈮生產工藝研究與應用)	January 2018 – December 2019	• Total expected cost: RMB3.0 million
Technical research and application on production process of high fluoride salt from fluorine-waste products (含氟廢水制取高附加值氟鹽生產工藝研究及應用)	January 2018 – December 2019	• Total expected cost: RMB4.0 million
Technical research on the extraction of high-purity niobium pentoxide from niobium tantalum iron alloy (分解廢氣綜合治理工藝研究)	January 2018 – December 2019	• Total expected cost: RMB4.0 million

In addition to our in-house research and development capabilities, we also established collaborative relationships with research and academic institute and company to develop innovative metallurgical technologies. As at 30 April 2019, we had two cooperative projects with research and academic institute/company in China. The following table sets forth the key terms of such collaborative arrangements:

Organisation	Project	Valid term	Cost arrangement
Institute for the Comprehensive Utilisation of Resources, Guangdong General Research Institute for Industrial Technology (Guangdong Research Institute of Non-ferrous Metals)* (廣東省工業技術研究院（廣州有色金屬研究院）資源綜合利用研究所)	Research on techniques for recycling of waste water produced during the tantalum- and niobium production process, and the industrialisation of such technique (鉭鈮工業廢水資源化治理技術研究與產業化)	October 2015 – September 2019	• RMB3.0 million of government grants to be allocated between us and the institute as to 60% and 40%, respectively
Qingyuan Jiazhi New Material Research Institution Limited* (清遠佳致新材料研究院有限公司)	Research on the production method and application of high-density specific gravity niobium products (高松裝比重氧化鈮生產工藝研究與應用)	January 2017 – August 2019	• RMB0.5 million government grants to be allocated between us and the research company as to 80% and 20%, respectively

CUSTOMERS, SALES AND MARKETING

Our Customers

Our customers are primarily: (i) metallurgy companies which utilise our products for further production and/or engage us in providing processing services; and (ii) trading companies which resell our products and/or engage us in providing processing services. The following table sets forth the breakdown of our total revenue by customer type for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Metallurgy companies	139,487	64.1	194,274	63.2	381,206	74.1	111,073	80.7	154,381	75.7
Trading companies	77,954	35.9	113,086	36.8	133,512	25.9	26,545	19.3	49,464	24.3
Total revenue	**217,441**	**100.0**	**307,360**	**100.0**	**514,718**	**100.0**	**137,618**	**100.0**	**203,845**	**100.0**

During the Track Record Period, we mainly sold our products to customers in China, as well as customers in the United States, Japan, South Korea and EU countries. According to the CIC Report, the overseas customers located in the United States, Japan, South Korea and EU countries purchase pentoxide products from the PRC suppliers instead of purchasing from suppliers closer to them, or to purchase ores directly from suppliers located in African and South American countries to produce pentoxide products, mainly because: (i) China has been, and is expected to be, the largest manufacturing base in the global tantalum and niobium metallurgy industry. The production volume of tantalum- and niobium-based hydrometallurgical products in the PRC accounted for approximately 58.6% of that of the global market in 2018, and is expected to increase to approximately 65.1% in 2023, mainly driven by the expected growth in production capacity and technological upgrades of leading PRC tantalum and

niobium metallurgy companies; (ii) Chinese hydrometallurgical companies contributed over 75% of global shipment of tantalum- and niobium-based hydrometallurgical products sold externally to downstream in 2017; and (iii) as confirmed by CIC, the PRC producers of tantalum- and niobium-based metallurgical products have been able to continuously provide high-quality products at globally competitive prices, primarily because they successfully optimised production efficiency and achieved economies of scale by improving their manufacturing technologies and production capacity.

The following table sets forth the breakdown of our revenue by geographic location of our customers for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
PRC	173,898	80.0	260,503	84.8	462,827	89.9	127,643	92.8	185,470	91.0
The United States	19,990	9.2	21,875	7.1	19,995	3.9	2,275	1.6	10,355	5.1
EU countries[(1)]	18,279	8.4	13,796	4.5	19,365	3.8	6,718	4.9	2,051	1.0
Others[(2)]	5,274	2.4	11,186	3.6	12,531	2.4	982	0.7	5,969	2.9
Total revenue	**217,441**	**100.0**	**307,360**	**100.0**	**514,718**	**100.0**	**137,618**	**100.0**	**203,845**	**100.0**

Notes:

(1) During the Track Record Period, we sold our products to different EU countries, including Austria, France and Luxembourg.

(2) Others included Hong Kong, Japan, South Korea and Taiwan.

We had a total of 12 overseas customers which are trading companies during the Track Record Period. The following table sets forth certain information of these overseas trading companies:

	Background	Place of incorporation	Major market area	Year of establishment
Company A	Represents two companies under the same group, which principally engages in trading special chemicals, metals, plastics and food additives	United States	United States	2007 and 2013
Company B	Principally engages in trading non-ferrous metals and ferro alloys	France	EU	2003
Company C	Principally engages in trading non-ferrous metallurgical pentoxide products	Hong Kong	Japan	2015
Company D	Principally engages in trading copper-, aluminium-, nickel-, zinc- and lead-based alloys	Belgium	EU	1968
Company E	Principally engages in trading plastics	Korea	Korea	2000
Supplier D	A group of companies, including a company incorporated in Luxembourg in 1986, principally engages in sourcing, trading, marketing and distribution of metals, minerals and industrial raw materials	Luxembourg	EU	1986

	Background	Place of incorporation	Major market area	Year of establishment
Company F	Principally engages in trading of pentoxide and iron alloy	Luxembourg	EU	No public information
Company G	Principally engages in trading minerals, non-ferrous metallurgical products	Hong Kong	EU	1994
Customer H	Principally engages in trading minor metals such as niobium, tantalum and tungsten	United States	EU and North America	1990
Company H	Principally engaged in trading metals	United States	United States	1983
Company J	Principally engages in trading metallurgical products	Japan	Japan	No public information
Company K	Principally engages in trading metallurgical pentoxide products	Republic of the Marshall Islands	EU	2013

We had a total of 10 customers in China which are trading companies during the Track Record Period. The following table sets forth certain information of these trading companies whose transaction amount was over 1% of our revenue in any year or period during the Track Record Period:

	Background	Registered share capital	Year of establishment
		RMB million	
Customer K	A group of companies, including Jiangsu Rongyao New Material Ltd.* (江蘇鎔耀新材料有限公司) which principally engaged in production and trading of metallurgical products and raw materials	37.5	2003
Company Z	Principally engaged in trading of tantalum- and niobium-based processed products	2.0	2013
Company L	Principally engaged in the trading of pentoxide products	5.0	2006
Company M	Principally engaged in the trading of metallurgical products and hard alloy products	1.9	2008
Company N	Principally engaged in the trading of metallurgical products and hard alloy products	0.5	2011
Zhuzhou Tuobang Import and Export Company Ltd.* (株洲拓邦進出口有限公司)	principally engaged in trading of metallurgical products and raw materials	0.5	2013
Customer F	Represents a group of companies, including a company listed on the Shenzhen Stock Exchange, and its principal business included the production of processed tantalum- and niobium-based metallurgical products.	440.8	1999
Liling Shengyu New Material Co., Ltd.* (醴陵市盛裕新材料有限公司)	Principally engaged in trading of non-ferrous metals, rare metals and chemical products	0.9	2017
Company O	Principally engaged in the trading of metallurgical products	5.0	2010
Company AA	Principally engaged in research and trading of metal coating materials	5.0	2014

Many of our customers have a long-term relationship with us. The following table sets forth the number of our repeated and new customers and their respective revenue contribution for the years/periods indicated:

	FY2016				FY2017				FY2018				4M2018				4M2019			
	Number		Revenue		Number		Revenue		Number		Revenue		Number		Revenue		Number		Revenue	
		%	RMB'000	%		%	RMB'000	%		%	RMB'000	%		%	RMB'000	%		%	RMB'000	%
															(unaudited)					
Repeated customers	54	62.8	192,209	88.4	58	63.0	219,705	71.5	64	66.7	484,599	94.1	53	84.1	133,245	96.8	57	93.4	191,175	93.8
New customers	32	37.2	25,232	11.6	34	37.0	87,655	28.5	32	33.3	30,119	5.9	10	15.9	4,373	3.2	4	6.6	12,670	6.2
Total revenue	**86**	**100.0**	**217,441**	**100.0**	**92**	**100.0**	**307,360**	**100.0**	**96**	**100.0**	**514,718**	**100.0**	**63**	**100.0**	**137,618**	**100.0**	**61**	**100.0**	**203,845**	**100.0**

For FY2016, FY2017, FY2018 and 4M2019, revenue generated from our five largest customers amounted to approximately RMB97.5 million, RMB161.7 million, RMB321.0 million and RMB113.2 million, respectively, accounting for approximately 44.9%, 52.6%, 62.4% and 55.5% of our total revenue for the same years/period, respectively. None of our Directors, their close associates or our Shareholders (who, to the best knowledge of our Directors, owned more than 5% of our issued share capital) had any interest in any of our five largest customers during the Track Record Period. During the Track Record Period, some of our major customers were also our suppliers. For more information, please refer to the paragraph headed "Raw materials, utilities and suppliers — Entities that were both customers and suppliers" in this section. During the Track Record Period, save as disclosed in this document, our Directors confirm, that we did not have any other past or present relationships or transactions with any of our customers, and their respective subsidiaries, shareholders, directors, senior management or any of their respective close associates, apart from the sales and purchases of goods and/or provision of processing services.

Sales and Marketing

Our sales and procurement department is responsible for the domestic sales and overseas sales. Our sales representatives regularly conduct market research and analysis and liaise with potential and existing customers to ascertain the customer's needs and expectations, which are taken into account when we formulate our research, production and sales strategies to develop and produce products to meet such demand. We secure new customers through referrals from existing customers, attending relevant trade conferences and searching on certain electronic trading platforms. Further, we promote our products through advertising. We strategically develop and maintain customers in various industries and locations to mitigate customer concentration and further minimise any potential effect on us caused by the economic downturn of certain industries and areas. During the Track Record Period, we sold a majority of our products to customers in China. We directly sold our products to overseas customers, most of which are trading companies and in turn resell our products to overseas companies, which are end-users of our products. We also directly sold our products to a limited number of overseas end-use customers. We do not consider the overseas trading companies as our sales agents because they do not distribute our products to their customers on our behalf. As a result, there are no significant differences in pricing terms, actual sales arrangement and actual payment arrangement for our sales to overseas trading companies and overseas end-use customers. The overseas trading companies are also not subject to any pricing requirements or guidelines prescribed by us because they are not acting as our sales agents and we do not see or treat them differently from overseas end-use customers. According to the CIC Report, it is an industry norm for the producers of tantalum- and niobium-based metallurgical products in China to sell their products to both overseas trading companies and end-use customers. Those trading companies typically resell tantalum- and niobium-based metallurgical products to overseas companies, which are end-users of such products without international procurement channels to directly purchase from producers in China, at an estimated profit margin ranging from 5.0% to 10.0%.

The following table sets forth the breakdown of our revenue and gross profit by types of our overseas customers for the years/periods indicated:

	FY2016				FY2017				FY2018				4M2018				4M2019			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (*unaudited*)	%	RMB'000 (*unaudited*)	%	RMB'000	%	RMB'000	%
Overseas customers																				
Trading companies	34,763	79.8	8,225	79.3	34,934	74.6	10,506	82.0	37,965	73.2	11,320	76.3	8,368	83.9	2,743	88.3	12,725	69.2	2,938	73.5
End-use customers	8,780	20.2	2,150	20.7	11,923	25.4	2,299	18.0	13,926	26.8	3,525	23.7	1,607	16.1	365	11.7	5,651	30.8	1,060	26.5
Total revenue from overseas customers	**43,543**	**100.0**	**10,375**	**100.0**	**46,857**	**100.0**	**12,805**	**100.0**	**51,891**	**100.0**	**14,845**	**100.0**	**9,975**	**100.0**	**3,108**	**100.0**	**18,376**	**100.0**	**3,998**	**100.0**

We generally enter into sales agreements with our customers, including customers which are trading companies, on an order-by-order basis. The agreements include the pricing terms, specifications of product, packing requirements and delivery terms. We set forth below a summary of the key terms of the sales agreements we entered into with our domestic and overseas customers, including overseas end-use customers and overseas trading companies, during the Track Record Period:

- *Pricing*. Prices of our products are determined based on the required product specifications, purchase volume, market price of the products and transportation costs.

- *Delivery arrangements*. For domestic customers, we generally make transportation arrangements to deliver our products to places designated by our customers. Risk of damage or loss relating to the products passes to the customers as soon as such products are delivered to their warehouses. Under our export sales agreements, we sell our products: (i) on a cost, insurance and freight, or CIF, basis if our customers choose sea shipping. We are responsible for the costs of shipping our products to the port designated by our customers and purchasing insurance policies. Risk of damage or loss relating to the products passes to the customers after they are shipped to the designated port; or (ii) on a cost and freight, or CFR, basis if our customers choose air freight. We are generally responsible for the costs of shipping our products to Guangzhou Airport. Risk of damage or loss relating to the products passes to the customers after they are accepted by the carrier designated by our customers.

- *Credit term and payment method*. For domestic sales, we are usually paid by way of bank transfer or bank acceptance bills within seven to 30 days after delivery. For overseas sales, we are generally paid by way of telegraphic transfer within a specified period after the presentation of relevant shipping documents or within a specified period after delivery. For certain new customers, we would make delivery arrangements upon receiving full payment of the contract price.

- *Inspection*. We are required to provide products that meet the qualifications stipulated in our sales agreements, which generally refer to the prevailing industry standards and/or our customer's standards. When the products are delivered to the customer's delivery address, the customer may inspect the products, including quantity and quality, within the specified period. If the customer does not raise any objection within such period, we will be deemed to have made satisfactory delivery of our products based on the sales agreements.

- *After-sale complaints and services*. If the customer raises any question regarding the quality of our products, we will assess the sample of the products taken prior to the delivery against the product specifications to verify the veracity of such complaints. If our products have quality issues, we will be responsible for compensating the customers for their losses based on the provisions of the sales agreements. Generally, our sales agreements require the parties to first make all efforts to resolve disputes amicably in the event that a dispute arises. In terms of after-sale services, our sales staff would collect feedback from our customers regarding our products. During the Track Record Period, we did not experience any material sales return on any of our products. For our sales to trading companies including overseas trading companies, we do not have any control over our products, including the applications

of our products, or such customers once our products are sold to them, and we are not obliged to monitor their performance. These trading companies are not subject to any pricing requirements or guidelines prescribed by us because they are not acting as our sales agents and we do not see or treat them differently from end-use customers. Generally, once we have sold our products to our customers who are trading company, all risks are passed to them and they are not entitled to any recourse from us if they fail to sell our products to their customers.

The following tables set forth certain information of our five largest customers during the Track Record Period:

Rank	Customer	Typical credit term and payment method	Revenue generated from the customer	Approximate % to total revenue	The year of establishing relationship with us	Also a supplier during the Track Record Period
			RMB'000			
FY2016						
1.	Yanling Jincheng Tantalum & Niobium Co., Ltd.* (炎陵縣今成鉭鈮有限公司) *(Note 1)*	30 days; by bank acceptance bills or bank transfer	31,530	14.5	2012	A supplier for FY2017 and FY2018
2.	Guangxi Non-ferrous Limu Mining Co., Ltd.* (廣西有色栗木礦業有限公司) *(Note 2)*	30 days; by bank acceptance bills or bank transfer	22,949	10.6	2011	A supplier for FY2016, FY2017 and FY2018
3.	Jiujiang Zhisheng Xincailiao Ltd.* (九江致勝新材料有限公司) *(Note 3)*	30 days; by bank acceptance bills or bank transfer	16,652	7.7	2015	No
4.	Zhuzhou Tuobang Import and Export Company Ltd.* (株洲拓邦進出口有限公司) *(Note 4)*	30 days; by bank transfer	15,004	6.9	2014	A supplier for FY2016
5.	Customer E *(Note 5)*	30 days; by bank transfer	11,317	5.2	2011	A supplier for FY2016 and FY2017
	Five largest customers in aggregate		97,452	44.9		
	All other customers		119,989	55.1		
	Total revenue		217,441	100.0		

Rank	Customer	Typical credit term and payment method	Revenue generated from the customer	Approximate % to total revenue	The year of establishing relationship with us	Also a supplier during the Track Record Period
			RMB'000			
FY2017						
1.	Customer F *(Note 6)*	30 days; by bank acceptance bills or bank transfer	66,162	21.5	2012	A supplier for FY2016
2.	Liling Shengyu New Material Co., Ltd.* (醴陵市盛裕新材料有限公司) *(Note 7)*	60 days; by bank acceptance bills or bank transfer	47,079	15.3	2017	A supplier for FY2017
3.	Yanling Jincheng Tantalum & Niobium Co., Ltd.* (炎陵縣今成鉭鈮有限公司) *(Note 1)*	60 days; by bank acceptance bills or bank transfer	23,863	7.8	2012	A supplier for FY2017 and FY2018
4.	Customer H *(Note 8)*	5 days of bill of lading; by telegraphic transfer	12,786	4.2	2016	No
5.	Changsha Weihui High-tech New Materials Co., Ltd.* (長沙偉徽高科技新材料有限公司) *(Note 9)*	7 days; by bank acceptance bills	11,778	3.8	2012	No
	Five largest customers in aggregate		161,668	52.6		
	All other customers		145,692	47.4		
	Total revenue		307,360	100.0		
FY2018						
1.	Customer F *(Note 6)*	30–60 days; by bank acceptance bills or bank transfer	139,192	27.0	2012	A supplier for FY2016
2.	Yanling Jincheng Tantalum & Niobium Co., Ltd.* (炎陵縣今成鉭鈮有限公司) *(Note 1)*	60 days; by bank acceptance bills or bank transfer	72,990	14.3	2012	A supplier for FY2017 and FY2018
3.	Liling Shengyu New Material Co., Ltd.* (醴陵市盛裕新材料有限公司) *(Note 7)*	30 days; by bank acceptance bills or bank transfer	53,697	10.4	2017	A supplier for FY2017
4.	Customer J *(Note 10)*	7 days; by bank transfer	35,172	6.8	2014	No
5.	Customer H *(Note 8)*	5 days of bill of lading; by telegraphic transfer	19,969	3.9	2016	No
	Five largest customers in aggregate		321,020	62.4		
	All other customers		193,698	37.6		
	Total revenue		514,718	100.0		

Rank	Customer	Typical credit term and payment method	Revenue generated from the customer	Approximate % to total revenue	The year of establishing relationship with us	Also a supplier during the Track Record Period
			RMB'000			
4M2019						
1.	Customer F *(Note 6)*	30-60 days; by bank acceptance bills or bank transfer	28,726	14.1	2012	A supplier for FY2016
2.	Customer K *(Note 11)*	30 days; by bank transfer	27,606	13.5	2018	No
3.	Liling Shengyu New Material Co., Ltd.* (醴陵市盛裕新材料有限公司) *(Note 7)*	90 days; by bank acceptance bills or bank transfer	24,216	11.9	2017	A supplier for FY2017
4.	Yanling Jincheng Tantalum & Niobium Co., Ltd.* (炎陵縣今成鉭鈮有限公司) *(Note 1)*	60 days; by bank acceptance bills or bank transfer	21,946	10.8	2012	A supplier for FY2017 and FY2018
5.	Customer E *(Note 5)*	30 days; by bank transfer	10,697	5.2	2011	A supplier for FY2016 and FY2017
	Five largest customers in aggregate		113,191	55.5		
	All other customers		90,654	44.5		
	Total revenue		203,845	100.0		

Notes:

1. Yanling Jincheng Tantalum & Niobium Co., Ltd.* (炎陵縣今成鉭鈮有限公司) is a company established in the PRC in 2011, with a registered capital of RMB30 million. The principal business of Yanling Jincheng Tantalum & Niobium Co., Ltd. included the production of processed tantalum- and niobium-based metallurgical products.

2. Guangxi Non-ferrous Limu Mining Co., Ltd.* (廣西有色栗木礦業有限公司) is a company established in the PRC in 2004, with a registered capital of approximately RMB328.8 million. The principal business of Guangxi Non-ferrous Limu Mining Co., Ltd. included the production of tantalum pentoxide, niobium pentoxide and processed pentoxide products, and mining business. The controlling equity holder of Guangxi Non-ferrous Limu Mining Co., Ltd. declared bankrupt in September 2016, following its failure in debt restructuring in the six months prior to the declaration of its bankruptcy. Subsequent to the bankruptcy of its controlling shareholder, Guangxi Non-ferrous Limu Mining Co., Ltd. ceased to be our customer but remained as our supplier. During the Track Record Period, we experienced good market demand for our products, and therefore, we were able to take up more orders from other customers after Guangxi Non-ferrous Limu Mining Co., Ltd. ceased to be our customer. Our Directors believe such incident has no material implications on our financial performance going forward, primarily because: (i) our Directors consider that, Guangxi Non-ferrous Limu Mining Co., Ltd. had not been materially affected by such incident as its other shareholder, which held 49% equity interest in Guangxi Non-ferrous Limu Mining Co., Ltd., was in sound business operation and financial conditions; and (ii) Guangxi Non-ferrous Limu Mining Co., Ltd. has settled trade receivables that came due with us in full since September 2016. As at the Latest Practicable Date, we did not have any trade receivables due from Guangxi Non-ferrous Limu Mining Co., Ltd..

3. Jiujiang Zhisheng Xincailiao Ltd.* (九江致勝新材料有限公司) is a company established in the PRC in 2008, with a registered capital of RMB3.5 million. The principal business of Jiujiang Zhisheng Xincailiao Ltd. included the production of processed tantalum- and niobium-based metallurgical products and other metallurgical products.

4. Zhuzhou Tuobang Import and Export Company Ltd.* (株洲拓邦進出口有限公司) is a company established in the PRC in 2013, with a registered capital of approximately RMB0.5 million. The principal business of Zhuzhou Tuobang Import and Export Company Ltd. included the trading of metallurgical products and raw materials.

5. Customer E represents two subsidiaries of a company and such subsidiaries are companies established in the PRC in 1971 and 2006, respectively, with a registered capital of RMB100 million and approximately RMB3.1 million, respectively. The principal business of Customer E included the production of processed tantalum- and niobium-based metallurgical products and trading of metallurgical products and raw materials.

6. Customer F represents a group of companies, including a company listed on the Shenzhen Stock Exchange. According to public records, the revenue of such listed company amounted to approximately RMB1,095.5 million for FY2018. The principal business of Customer F included the production of processed tantalum- and niobium-based metallurgical products.

7. Liling Shengyu New Material Co., Ltd.* (醴陵市盛裕新材料有限公司) is a company established in the PRC in 2017, with a registered capital of RMB0.9 million. The principal business of Liling Shengyu New Material Co., Ltd. included the trading of non-ferrous metals, rare metals and chemical products. Liling Shengyu New Material Co., Ltd. was newly established on 19 April 2017 and commenced business with us mainly because its then chairman, who had served in one of our existing customers, Zhuzhou Hard Alloy Group Co., Ltd.* (株洲硬質合金集團有限公司), which is a subsidiary of a company listed on the Shenzhen Stock Exchange, is a long-time acquaintance of Mr. Wu. Our revenue derived from Zhuzhou Hard Alloy Group Co., Ltd. amounted to approximately RMB3.9 million, RMB5.6 million, RMB1.9 million and nil for FY2016, FY2017, FY2018 and 4M2019, respectively. We decided to establish a relationship with this new customer primarily due to: (i) its highly recognised senior management team, which has accumulated extensive industry experience and good credit history before joining Liling Shengyu New Material Co., Ltd.; (ii) our Directors consider that it had sound business operation since its incorporation; and (iii) one of its affiliated company, Zhuzhou Tuobang Import and Export Company Ltd., which is the wholly-owned subsidiary of one of its controlling shareholders, is also one of our customers having good credit history and long-term cooperative relationship with us. Our revenue derived from Zhuzhou Tuobang Import and Export Company Ltd. amounted to approximately RMB15.0 million, RMB4.0 million, nil and nil, for FY2016, FY2017, FY2018 and 4M2019, respectively. For the same reasons, we granted a credit term of 60 days for FY2017 to Liling Shengyu New Material Co., Ltd. even though it is a newly established company with short operating history. We conducted credit assessment of Liling Shengyu New Material Co., Ltd. in accordance with our internal control policy by members of our production department, finance department and sales and procurement department, and such credit term was approved by Mr. Zhong Yuelian and Mr. Wu, who we considered to have sufficient experience and expertise in analysing the credit condition of our customers based on our knowledge of their financial position and our industry experience. For more information on their experience and qualifications, please refer to the section headed "Directors and Senior Management" in this document. As at the Latest Practicable Date, all account receivables in relation to our transaction with Liling Shengyu New Material Co., Ltd. for FY2017, FY2018 and 4M2019 have been settled.

8. Customer H is a company incorporated in the United States in 1990. The principal business of Customer H included the trading of minor metals such as niobium, tantalum, and tungsten.

9. Changsha Weihui High-tech New Materials Co., Ltd.* (長沙偉徽高科技新材料有限公司) is a subsidiary of Hunan Boyun New Materials Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002297). According to public records, the revenue of Hunan Boyun New Materials Co., Ltd. amounted to approximately RMB509.4 million for FY2018. The principal business of Changsha Weihui High-tech New Materials Co., Ltd. included the production and sale of high-tech materials.

10. Customer J is a company established in the PRC in 1999, with a registered capital of USD7.1 million. The principal business of Customer J included the production of tantalum and niobium-based metallurgical products.

11. Customer K represents a group of companies, including Jiangsu Rongyao New Material Ltd.* (江蘇鎔耀新材料有限公司), which is a company established in the PRC in 2003, with a registered capital of RMB37.5 million. The principal business of Customer K included the production and trading of metallurgical products and raw materials.

Pricing Policy

Our pricing policy and factors are primarily adjusted on the basis of market changes. The specifications of our products also affect our pricing, as products with higher quality can normally be sold for higher prices. Other factors that may affect our pricing may include general economic condition, our production costs, including cost of raw materials, labour and manufacturing overheads, and the availability of purchase volume and market supply and demand for the same or competing products.

RAW MATERIALS, UTILITIES AND SUPPLIERS

Tantalum ores and niobium ores are the principal raw materials that we use to produce our products. The following table sets forth the breakdown of our purchase by geographic location of our suppliers for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
PRC	29,660	19.8	80,907	32.1	112,040	25.6	41,289	27.5	17,736	20.7
Hong Kong	50,352	33.7	62,657	24.9	70,604	16.1	24,830	16.5	38,523	45.1
South American countries[(1)]	36,557	24.4	57,780	23.0	113,113	25.8	39,282	26.2	17,924	21.0
EU countries[(2)]	11,623	7.8	29,281	11.6	71,591	16.4	29,386	19.6	—	—
African countries[(3)]	17,922	12.0	19,539	7.8	57,749	13.2	11,858	7.9	8,971	10.5
The United States	3,454	2.3	1,587	0.6	—	—	—	—	—	—
Asian countries[(4)]	—	—	—	—	12,555	2.9	3,505	2.3	2,299	2.7
Total purchase	**149,568**	**100.0**	**251,751**	**100.0**	**437,652**	**100.0**	**150,150**	**100.0**	**85,453**	**100.0**

Notes:

(1) During the Track Record Period, we purchased our raw materials from different South American countries, including Brazil.
(2) During the Track Record Period, we purchased our raw materials from different EU countries, including Luxembourg, Switzerland, Belgium and Austria.
(3) During the Track Record Period, we purchased our raw materials from different African countries, including Nigeria, Seychelles, Sierra Leone, Ethiopia and Democratic Republic of the Congo.
(4) During the Track Record Period, we purchased our raw materials from different Asian countries, including South Korea, Thailand, Malaysia, India and United Arab Emirates.

The following table sets forth the breakdown of our purchase by nature for the years/period indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Tantalum ores and niobium ores	126,840	84.8	220,970	87.8	373,778	85.4	132,985	88.6	74,769	87.5
Others[(Note)]	22,728	15.2	30,781	12.2	63,874	14.6	17,165	11.4	10,684	12.5
Total purchase	**149,568**	**100.0**	**251,751**	**100.0**	**437,652**	**100.0**	**150,150**	**100.0**	**85,453**	**100.0**

Note: Others mainly include processing services for processed products and consumables for our production.

The following table sets forth the breakdown of the source of our purchase of tantalum ores and niobium ores by geographic location for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
PRC	7,038	5.5	51,839	23.5	48,167	12.9	24,212	18.2	3,792	5.0
African countries[(1)]	77,740	61.3	100,648	45.5	194,536	52.1	65,112	49.0	45,203	60.5
South American countries[(2)]	39,602	31.2	59,751	27.0	120,460	32.2	40,887	30.7	25,774	34.5
United States	2,460	2.0	—	—	—	—	—	—	—	—
Others[(3)]	—	—	8,732	4.0	10,615	2.8	2,774	2.1	—	—
Total purchase of tantalum ores and niobium ores	126,840	100.0	220,970	100.0	373,778	100.0	132,985	100.0	74,769	100.0

Notes:

(1) African countries from which we purchased tantalum ores and niobium ores during the Track Record Period mainly included Rwanda, Ethiopia, Sierra Leone, Nigeria, Burundi, the Democratic Republic of the Congo and Zimbabwe.

(2) South American countries from which we purchased tantalum ores and niobium ores during the Track Record Period mainly included Brazil and Colombia.

(3) Others from which we purchased tantalum ores and niobium ores during the Track Record Period mainly included Malaysia and Thailand.

For FY2016, FY2017, FY2018, 4M2018 and 4M2019, our purchase of tantalum ores and niobium ores amounted to approximately RMB126.8 million, RMB221.0 million, RMB373.8 million, RMB133.0 million and RMB74.8 million, respectively, representing approximately 84.8%, 87.8%, 85.4%, 88.6% and 87.5% of our total purchase for the same years/periods, respectively. For FY2016, FY2017, FY2018, 4M2018 and 4M2019, our purchase of tantalum ores and niobium ores from trading companies amounted to approximately RMB34.1 million, RMB95.2 million, RMB232.6 million, RMB73.3 million and RMB56.8 million, respectively, representing approximately 26.9%, 43.1%, 62.2% and 75.9% of our total purchases of tantalum ores and niobium ores, respectively. Other raw materials we use in our production process include a variety of chemicals, such as hydrofluoric acid, sulphuric acid and liquid ammonia. We also procure packaging materials to pack our products.

During the Track Record Period, we purchased tantalum ores and niobium ores mainly from suppliers mainly located in the PRC, Hong Kong, Luxembourg, Sierra Leone and Brazil., which were either mining companies or trading companies and the ores supplied are mainly from mines in the PRC, Brazil, Nigeria and Sierra Leone. During the Track Record Period, our Group procured tantalum ores and niobium ores originating from Burundi, the Democratic Republic of the Congo and Zimbabwe, such countries are subject to various targeted sanctions programme. The costs of procuring tantalite ores from originating from Burundi, the Democratic Republic of the Congo and Zimbabwe was approximately RMB6.9 million, RMB13.9 million, RMB67.2 million, RMB25.1 million and nil for FY2016, FY2017, FY2018, 4M2018 and 4M2019, respectively, representing approximately 4.6%, 5.5%, 15.4%, 16.7% and nil of our Group's total purchases for the same years/period, respectively. For the associated risk, please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — We could be adversely affected as a result of our purchase from certain countries that are, or become subject to, economic sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities" in this document. As advised by Hogan Lovells, our

Company's legal advisers as to International Sanctions law, was of the view that the Group's business activities during the Track Record Period would not expose it to material sanctions risk and consequently, and no filings in respect of non-compliance with International Sanctions are required.

Our production process requires a stable and sufficient supply of utilities, primarily electricity and water. We obtain electricity supply from regional power grids, and water supply from local public utility companies. We use water in our production as an ingredient. During the Track Record Period, we did not experience any material shortage of power or disruption in our water supply that caused a material adverse impact on our production.

We have maintained stable business relationships with some of our major suppliers for a period of more than three years. We take into consideration various factors in our supplier selection process, including price, quality, chemical composition analysis report on ores, origin of ores, payment terms, and timeliness of delivery.

We plan our procurement of raw materials monthly based on our annual sales target and annual production capacity as well as market conditions. We generally enter into procurement contracts on an order-by-order basis. The contracts set out details such as the specifications and quality standards of raw materials, price, quantity, payment obligations, delivery method and termination clauses. During the Track Record Period, we did not experience any material disputes with our suppliers, nor any major price fluctuations or shortages in the supply of raw materials to us. During the Track Record Period, we did not have any hedging arrangement against fluctuations in prices of raw materials. Our Directors consider that we are generally able to substantially pass on increase in purchase costs to our customers. We set forth below a summary of the key terms of the procurement contracts we entered into during the Track Record Period:

- *Pricing*. Prices of raw materials are determined based on the required product specifications and in line with market conditions.

- *Credit term*. We generally make first payment accounting for 70% to 90% of the contract price upon receiving the bill of lading, and settle the remaining balance upon receiving the required quality testing certification provided by an independent testing company to our satisfaction.

- *Delivery arrangements*. Raw materials are generally delivered to our production facilities or designated delivery sites by our suppliers via seagoing vessels and/or trucks. Delivery costs incurred or damages arising from such delivery are generally borne by our suppliers.

- *Payment*. We usually make payment to our suppliers by way of telegraphic transfer.

- *After-sale complaints*. Generally, where the tantalum ores and niobium ores fail to meet the specifications stipulated in our procurement contracts, we are entitled to a price discount or may reject the entire batch of tantalum ores and niobium ores.

For FY2016, FY2017, FY2018 and 4M2019, purchases from our five largest suppliers amounted to approximately RMB107.8 million, RMB133.1 million, RMB234.8 million and RMB63.0 million, respectively, accounting for approximately 72.1%, 52.9%, 53.7% and 73.8%, respectively, of our total purchases. For the same years/period, purchases from our largest supplier amounted to approximately RMB34.6 million, RMB56.4 million, RMB112.8 million and RMB28.0 million, respectively, accounting for approximately 23.1%, 22.4% and 25.8% and 32.8%, respectively, of our total purchases. None of our Directors, their close associates or our Shareholders (who, to the best knowledge of our Directors, owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers during the Track Record Period. During the Track Record Period, some of our major suppliers were also our customers. For more information, please refer to the paragraph headed "Entities that were both customers and suppliers" in this document.

The following tables set forth certain information of our five largest suppliers during the Track Record Period:

Rank	Supplier	Principal origin of ores of the supplier	Typical credit term and payment method	Purchases by us from the supplier	Approximate % to total purchases	The year of establishing relationship with us	Also a customer during the Track Record Period
				RMB'000			
FY2016							
1.	Mineracao Taboca S.A. *(Note 1)*	Brazil	Cash against documents; by telegraphic transfer	34,609	23.1	2015	No
2.	Supplier B *(Note 2)*	Sierra Leone	Cash against documents; by telegraphic transfer	26,767	17.9	2014	No
3.	CNC Construction (Hongkong) Limited *(Note 3)*	Nigeria	Cash against documents; by telegraphic transfer	23,584	15.8	2015	No
4.	Supplier D *(Note 4)*	The Democratic Republic of the Congo/ Nigeria/Brazil	Cash against documents; by telegraphic transfer	11,623	7.8	2015	A customer for FY2016, FY2018 and 4M2019
5.	Supplier E *(Note 5)*	Nigeria	Cash against documents; by telegraphic transfer	11,255	7.5	2014	No
		Five largest suppliers in aggregate		107,838	72.1		
		All other suppliers		41,730	27.9		
		Total purchases		149,568	100.0		
FY2017							
1.	Mineracao Taboca S.A. *(Note 1)*	Brazil	Cash against documents; by telegraphic transfer	56,408	22.4	2015	No
2.	CNC Construction (Hongkong) Limited *(Note 3)*	Nigeria	Partly prepayment and partly cash against documents; by telegraphic transfer	25,529	10.1	2015	No
3.	Ganzhou Junxing Non-ferrous Metals Co., Ltd.* (贛州市駿星有色金屬有限公司) *(Note 6)*	South-east Asia	Partly prepayment or against delivery and balance against VAT invoice; by bank transfer	22,304	8.9	2015	A customer for FY2016
4.	West African Union Company (SL) Limited *(Note 7)*	Sierra Leone	Cash against documents; by telegraphic transfer	15,380	6.1	2016	No
5.	Supplier D *(Note 4)*	The Democratic Republic of the Congo/ Nigeria/Brazil	Cash against documents; by telegraphic transfer	13,483	5.4	2015	A customer for FY2016, FY2018 and 4M2019
		Five largest suppliers in aggregate		133,104	52.9		
		All other suppliers		118,647	47.1		
		Total purchases		251,751	100.0		

Rank	Supplier	Principal origin of ores of the supplier	Typical credit term and payment method	Purchases by us from the supplier	Approximate % to total purchases	The year of establishing relationship with us	Also a customer during the Track Record Period
				RMB'000			
FY2018							
1.	Mineracao Taboca S.A. *(Note 1)*	Brazil	Cash against documents; by telegraphic transfer	112,775	25.8	2015	No
2.	Supplier H *(Note 8)*	Brazil/Nigeria/ Ethopia/ Zimbabwe	Partly prepayment and balance against copy of bill of lading or cash against inspection; by telegraphic transfer	53,788	12.3	2017	No
3.	Specialty Metals Resources SA *(Note 9)*	Burundi	Cash against documents; by telegraphic transfer	27,035	6.2	2017	No
4.	Jiangxi Hongye Chemical Industry Ltd.* (江西鴻業化工有限公司) *(Note 10)*	N/A	40 days; by telegraphic transfer	20,772	4.7	2010	No
5.	Ganzhou Junxing Non-ferrous Metals Co., Ltd.* (贛州市駿星有色金屬有限公司) *(Note 6)*	South-east Asia	Partly prepayment or against delivery and balance against VAT invoice; by telegraphic transfer	20,474	4.7	2015	A customer for FY2016
		Five largest suppliers in aggregate		234,844	53.7		
		All other suppliers		202,808	46.3		
		Total purchases		437,652	100.0		
4M2019							
1.	Supplier H *(Note 8)*	Brazil/Nigeria/ Ethopia/ Zimbabwe	Partly prepayment and balance against copy of bill of lading or cash against inspection; by telegraphic transfer	28,007	32.8	2017	No
2.	Mineracao Taboca S.A. *(Note 1)*	Brazil	Cash against documents; by telegraphic transfer	17,924	21.0	2015	No
3.	Supplier K *(Note 11)*	Nigeria/ Columbia/Sierra Leone/ Madagascar/ Rwanda	Cash against inspection; by telegraphic transfer	10,516	12.3	2018	No
4.	Ganzhou Junxing Non-ferrous Metals Co., Ltd.* (贛州市駿星有色金屬有限公司) *(Note 6)*	South-east Asia	Cash against inspection; by telegraphic transfer	3,700	4.3	2015	A customer for FY2016
5.	Blue Grey Minerals PLC *(Note 12)*	Ethiopia	Cash against inspection; by telegraphic transfer	2,885	3.4	2018	No
		Five largest suppliers in aggregate		63,032	73.8		
		All other suppliers		22,421	26.2		
		Total purchases		85,453	100.0		

Notes:

1. Mineracao Taboca S.A. is a company incorporated in Brazil in 1969, with a registered share capital of approximately Brazilian Real 2,135.3 million and is a subsidiary of Minsur SA, a company listed on Lima Stock Exchange (stock symbol: MINSURI1). The principal business of Mineracao Taboca S.A. included the mining and sale of ores and production of processed tantalum- and niobium-based metallurgical products.

2. Supplier B is a company incorporated in Hong Kong in 2013, with a share capital of HK$10,000. The principal business of Supplier B included the sale of ores.

3. CNC Construction (Hongkong) Limited is a company incorporated in Hong Kong in 2007, with a share capital of HK$10,000. The principal business of CNC Construction (Hongkong) Limited included the sale of ores.

4. Supplier D represents a group of companies, including a company incorporated in Luxembourg in 1986, with a share capital of approximately US$9.0 million. The principal business of Supplier D included the sourcing, trading, marketing and distribution of metals, minerals and industrial raw materials.

5. Supplier E is a company incorporated in Nigeria in 1989, with an issued share capital of Nigerian Naira 100,000. The principal business of Supplier E included the trading of ores.

6. Ganzhou Junxing Non-ferrous Metals Co., Ltd.* (贛州市駿星有色金屬有限公司) is a company established in the PRC in 2015, with a registered capital of RMB15.0 million. The principal business of Ganzhou Junxing Non-ferrous Metals Co., Ltd. included the trading of tin, tungsten, niobium and tantalum.

7. West African Union Company (SL) Limited is a company incorporated in Sierra Leone in 2014, with an issued share capital of SLL100 million. The principal business of West African Union Company (SL) Limited included the trading of ores.

8. Supplier H represents two companies with the same controlling shareholder, incorporated in Hong Kong in 2008 and 2012 respectively, with share capital of HK$10 and USD28.5 million respectively. The principal business of Supplier H included the trading of ores.

9. Specialty Metals Resources SA is a company incorporated in Belgium in 2007, with a share capital of EUR1.0 million. The principal business of Specialty Metals Resources SA included the mining, trading and marketing of cobalt, copper, nickel, tungsten and tantalum intermediates and end products.

10. Jiangxi Hongye Chemical Industry Ltd.* (江西鴻業化工有限公司) is a company established in the PRC in 2008, with a registered capital of RMB15.0 million. The principal business of Jiangxi Hongye Chemical Industry Ltd. included the production and trading of hydrofluoric acid.

11. Supplier K is a company incorporated in the BVI in 2013. The principal business of Supplier K included the sale of ores.

12. Blue Grey Minerals PLC is a company incorporated in Ethiopia in 2014, with a share capital of Ethiopian Birr 1 million. The principal business of Blue Grey Minerals PLC included the mining and export of tantalum ores.

During the Track Record Period, we purchased from trading companies in addition to directly from mining companies, because some mining companies sell ores exclusively to trading companies mainly due to their lack of capital and need to obtain financing from trading companies, which leads to a limited supply of tantalum ores and niobium ores from mining companies. The pricing terms were negotiated on a case-by-case basis and there was no significant pricing difference between purchases from trading companies and from mining companies although trading companies resell tantalum ores and niobium ores at an estimated margin ranging from 10% to 20%, because the prices of tantalum ores and niobium ores are rather transparent in the market where both mining companies and metallurgical companies that purchase the ores can track the latest price.

Entities that Were Both Customers and Suppliers

During the Track Record Period, we sold some of our products to, and purchased some of our processed products or raw materials from, the same entities ("**Overlapping Customers**"). They are either: (i) trading companies engaged in the trading of metallurgical products and ores; or (ii) metallurgy companies who utilise our pentoxide products and potassium heptafluorotantalate for the manufacturing of processed products. We plan our procurement of raw materials and processed products according to our production plan and market conditions. We generally select the supplier for each of our purchases taking into consideration the quality, price and quantity, among others, of the raw materials and processed products we intend to purchase. Under similar circumstances, our suppliers may also purchase from us. According to the CIC Report, it is not uncommon for trading companies and metallurgy companies to engage in both of: (i) the sale of metallurgical raw materials and products to producers of metallurgical products like us; and (ii) the purchase of metallurgical products from producers of metallurgical products like us.

As confirmed by our Directors, (i) negotiations of the terms of our sales to and purchases from the Overlapping Customers were conducted on an individual basis and the sales and purchases were neither interconnected nor inter-conditional with each other; (ii) during the Track Record Period, the products we purchased from the Overlapping Customers were not sold back to them, and vice versa; and (iii) the terms of transactions with the Overlapping Customers are similar to those with our other customers and suppliers. We were under no obligation to purchase from the Overlapping Customers, and vice versa.

The following tables set forth certain information of our transactions with the Overlapping Customers during the Track Record Period:

Entity	Background	Customer domicile	Registered share capital	Year of establishment	Major goods purchased by us	Amount of purchases for the years	Major goods sold by us	Amount of revenue for the years
						RMB'000		RMB'000
FY2016								
Customer E	Represents two subsidiaries of a company, which are principally engaged in the production of processed tantalum- and niobium-based metallurgical products and trading of metallurgical products and raw materials	PRC	RMB100 million and RMB3.1 million	1971 and 2006	Processing for processed products	916	Niobium pentoxide and potassium heptafluorotantalate	11,317
Guangxi Non-ferrous Limu Mining Co., Ltd.* (廣西有色栗木礦業有限公司)	Principally engaged in the production of tantalum pentoxide, niobium pentoxide and processed pentoxide products, and mining business	PRC	RMB328.8 million	2004	Tantalum ores and niobium ores	1,736	Tantalum pentoxide, niobium pentoxide, and potassium heptafluorotantalate	22,949
Zhuzhou Tuobang Import and Export Company Ltd.* (株洲拓邦進出口有限公司)	Principally engaged in the trading of metallurgical products and raw materials	PRC	RMB0.5 million	2013	Tantalum ores and niobium ores	3,461	Tantalum pentoxide and niobium pentoxide	15,004
Company A	Represents two companies under the same group, which are principally engaged in the trading of specialty chemicals, metals, plastics and food additives	The United States	No public information	2007 and 2013	Tantalum ores and niobium ores	2,461	Tantalum pentoxide and tantalum carbide	6,789
Ganzhou Junxing Non-ferrous Metals Co., Ltd.* (贛州市駿星有色金屬有限公司)	Principally engaged in the trading of tin, tungsten, niobium and tantalum	PRC	RMB15.0 million	2015	Tantalum ores and niobium ores	1,502	Niobium pentoxide and processing services	515

Entity	Background	Customer domicile	Registered share capital	Year of establishment	Major goods purchased by us	Amount of purchases for the years	Major goods sold by us	Amount of revenue for the years
						RMB'000		RMB'000
Customer F	A group of companies, including a company listed on the Shenzhen Stock Exchange, which are principally engaged in the production of processed tantalum- and niobium-based metallurgical products	PRC	RMB440.8 million	2012	Tantalum ores and niobium ores	106	Niobium pentoxide and processing services	5,613
Supplier D	Principally engaged in sourcing, trading. marketing and distribution of metals, minerals and industrial raw materials	EU and the United States	N/A	N/A	Tantalum ores and niobium ores	11,623	Niobium pentoxide	5,081
Company M	Principally engaged in the production of processed metals and non-ferrous metals	PRC	RMB1.9 million	2008	Potassium heptafluorotantalate	84	Niobium pentoxide and processing services	2,647
FY2017								
Liling Shengyu New Material Co., Ltd.* (醴陵市盛裕新材料有限公司)	Principally engaged in the trading of non-ferrous metals, rare metals and chemical products	PRC	RMB0.9 million	2017	Tantalum ores and niobium ores	1,626	Tantalum pentoxide and niobium pentoxide	47,079
Customer E	Principally engaged in the production of processed tantalum- and niobium-based metallurgical products and trading of metallurgical products and raw materials	PRC	RMB100 million and RMB3.1 million	1971 and 2006	Processing for processed products	1,098	Niobium pentoxide and potassium heptafluorotantalate	8,868
Company Y	Principally engaged in the development and production of target materials	PRC	RMB10.0 million	2011	Tantalum ores and niobium ores	96	Tantalum pentoxide, niobium pentoxide and niobium powder	2,976
Company R	Principally engaged in the trading of non-ferrous metals, ores, and construction materials	PRC	RMB10.0 million	2014	Tantalum ores and niobium ores	7,246	Tantalum pentoxide	24
Company P	Principally engaged in the development and production of alloy and non-ferrous metals	PRC	RMB63.5 million	2007	Tantalum ores and niobium ores	4,145	Processing services	316
Yanling Jincheng Tantalum & Niobium Co., Ltd.* (炎陵縣今成鉭鈮有限公司)	Principally engaged in production of processed tantalum- and niobium-based metallurgical products	PRC	RMB30.0 million	2011	Processing for processed products	2	Tantalum pentoxide and niobium pentoxide	23,863
Company X	Principally engaged in the sale and production of non-ferrous metal and processed metals	PRC	RMB18.0 million	2011	Niobium pentoxide	884	Processing services	746
FY2018								
Company Y	Principally engaged in the development and production of target materials	PRC	RMB10.0 million	2011	Tantalum ores and niobium ores	67	Niobium pentoxide	6,447
Company U	Principally engaged in sourcing and trading ores	PRC	RMB3.0 million	2016	Tantalum ores and niobium ores	7,697	Processing services	4,157
Company T	Principally engaged in producing ferro alloys and carbides	Austria	EU6.7 million	1994	Tantalum ores and niobium ores	78	Niobium pentoxide	3,228
Company W	Principally engaged in producing hard alloy materials	PRC	RMB2,123.0 million	1980	Processing for processed products	1,543	Processing services	1,851
Company S	Principally engaged in producing processed non-ferrous metals	PRC	RMB30.0 million	2005	Processing for processed products	3,823	Tantalum pentoxide	1,724
Company V	Principally engaged in the sale of metallic materials	PRC	RMB0.5 million	1998	Tantalum ores and niobium ores	113	Processing services	963
Company Q	Principally engaged in sale of hardware metals	PRC	RMB12.0 million	2002	Other consumables	505	Recycled products	167
Supplier D	Principally engaged in the sourcing, trading, marketing and distribution of metals, minerals and industrial raw materials	EU and the United States	N/A	N/A	Tantalum ores and niobium ores	17,176	Niobium pentoxide	2,060

Entity	Background	Customer domicile	Registered share capital	Year of establishment	Major goods purchased by us	Amount of purchases for the years	Major goods sold by us	Amount of revenue for the years
						RMB'000		RMB'000
Yanling Jincheng Tantalum & Niobium Co., Ltd.* (炎陵縣今成鉭鈮有限公司)	Principally engaged in production of processed tantalum and niobium based metallurgical products	PRC	RMB30.0 million	2011	Processing for processed products	4,341	Tantalum pentoxide and niobium pentoxide	72,990

For 4M2019, we did not have any customers whom were also our suppliers.

For FY2016, FY2017 and FY2018, our gross profit margin attributable to the Overlapping Customers was approximately 19.8%, 25.4% and 32.2%, respectively.

TRANSFER PRICING ARRANGEMENT BETWEEN ZHIYUAN NEW MATERIAL AND XITE HONG KONG

The transactions

During the Track Record Period, Zhiyuan New Material purchased raw materials from its immediate holding company, Xite Hong Kong. Zhiyuan New Material was principally engaged in the production and sale of tantalum- and niobium-based metallurgical products. Xite Hong Kong was principally engaged in sale of tantalum- and niobium-related materials. Upon the initiation by Zhiyuan New Material, Xite Hong Kong made purchases from third-party suppliers for onward sales to Zhiyuan New Material. The raw materials purchased by Xite Hong Kong from third-party suppliers were generally delivered to the production facilities of Zhiyuan New Material or designated delivery sites by the third-party suppliers via seagoing vessels and/or trucks.

For FY2016, FY2017, FY2018 and 4M2019, the purchases by Zhiyuan New Material from Xite Hong Kong amounted to nil, nil, approximately HK$61.4 million and HK$45.1 million, respectively.

Commercial rationale

During the Track Record Period, our purchases were mainly denominated in USD. Our Directors believe that the purchases by Xite Hong Kong and the onward sales to Zhiyuan New Material can utilise the strength that no foreign exchange control policies are applied in Hong Kong.

Potential tax exposure

Zhiyuan New Material is a High-tech Enterprise and can enjoy a preferential tax deduction of corporate income tax by 10% (i.e. an effective corporate income tax rate of 15%); and Xite Hong Kong is subject to Hong Kong profits tax with tax rate of 16.5%.

In accordance with the relief provision in the Associated Enterprises Article of the Double Tax Agreement between China and Hong Kong, the tax paid in Hong Kong in respect of income derived from sources in Hong Kong by Xite Hong Kong shall be allowed as a credit against the China tax imposed.

We have engaged our tax adviser on transfer pricing, Ernst & Young Tax Services Limited (the "**Tax Adviser**"), to review the transactions between Zhiyuan New Material and Xite Hong Kong (the "**Covered Transactions**") and estimate the potential tax liability that may be imposed on Xite Hong Kong by benchmarking the profit margin ranges derived from comparable companies during the Track Record Period.

Given the functional profile of the parties involved in the transactions, the transactional net margin method was selected as an appropriate transfer pricing analysis methodology. The Tax Adviser advised that, based on the Covered Transactions during the Track Record Period, the Hong Kong tax authorities may make transfer pricing adjustments to the taxable profits of Xite Hong Kong chargeable to Hong Kong profits tax. The Tax Adviser estimated the total potential tax liabilities of Xite Hong Kong under Hong Kong profits tax may be adjusted upwards by approximately HK$233,000 and HK$36,000 for the 18-month period ended 31 December 2018 and 4M2019, respectively, based on the benchmarking of comparable companies for the 2016 to 2018 period from the transfer pricing perspective. The Tax Adviser advised that it is more likely than not that any corresponding downward profit adjustments would be applied to the taxable profits of Zhiyuan New Material chargeable to Enterprise Income Tax by the China tax authorities and the potential additional tax payable of Xite Hong Kong under Hong Kong profits tax would be offset by the potential tax relief obtained by Zhiyuan New Material in China, and the net tax exposure of our Group amounted to approximately HK$21,000 and HK$3,000 for the 18-month period ended 31 December 2018 and 4M2019, respectively for the Covered Transactions from the transfer pricing perspective.

As advised by the Tax Adviser, according to the functional profile of Xite Hong Kong and Zhiyuan New Material and the benchmarking analysis performed, it is remote that the China tax authorities would apply upward profit adjustments to the taxable profits of Zhiyuan New Material with respect to the Covered Transactions from the China transfer pricing perspective. In addition, as at the Latest Practicable Date, our Directors were not aware of any inquiry, audit or investigation by any tax authority in the PRC or Hong Kong with respect to the transactions between Zhiyuan New Material and Xite Hong Kong.

Mr. Dixon Y. T. Co, the legal advisers to our Company as to Hong Kong law, is of the view that in respect of the Covered Transactions before 13 July 2018, it is very unlikely that any additional tax under the Inland Revenue Ordinance (Cap 112 of the Laws of Hong Kong) would be imposed on us. In respect of the Covered Transactions after 13 July 2018 and up to 30 April 2019, Xite Hong Kong may be liable to additional tax under the Inland Revenue Ordinance for an amount of up to approximately HK$0.3 million. Our Directors are of the view that this amount is immaterial to our operations, as a result, no provision has been made in our consolidated financial statements.

INVENTORY

Our inventory included raw materials, work-in-progress and finished products. We store our inventory in our warehouse, which is located at our production plant in Yingde, Guangdong Province. We generally purchase tantalum ores and niobium ores, the principal raw materials that we use to produce our products. We strive to maintain optimal inventory levels to meet our production capacity and sales plans. As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, our inventories amounted to approximately RMB25.9 million, RMB75.7 million, RMB162.7 million and RMB105.6 million, respectively.

We monitor our inventory levels and make provisions in accordance with our accounting policy. Our production department and finance department also perform inventory counts on a monthly basis.

Please refer to the paragraph headed "Financial Information — Description of certain line items in the consolidated statements of financial position — Inventories" for details regarding analysis of our inventory balances and inventory turnover days during the Track Record Period.

MARKET AND COMPETITION

According to the CIC Report, the PRC tantalum- and niobium-based hydrometallurgical products market is competitive and relatively concentrated, with around 15 market players and the top five players accounting for 82.9% of the market share in terms of production volume for sale of products in 2018. We were the largest producer of tantalum and niobium hydrometallurgical products in China for FY2016, FY2017 and FY2018 in terms of total annual production volume. Our total production volume of pentoxide products and potassium heptafluorotantalate was approximately 878.9 tonnes, 1,031.0 tonnes and 1,321.0 tonnes for FY2016, FY2017 and FY2018, respectively, accounting for approximately 30.0%, 31.5% and 35.8% of the market share in China for FY2016, FY2017 and FY2018, respectively.

According to the CIC Report, there are certain major entry barriers for the tantalum and niobium metallurgy industry, including substantial capital investment required to set up the production facilities, product quality requirements from customers, environmental protection requirements, availability of raw materials and regulatory approvals. Please refer to the section headed "Industry Overview" in this document for further details.

AWARDS AND RECOGNITIONS

Since 2012 and up to the Latest Practicable Date, we have been accredited as a High-tech Enterprise (高新技術企業) by the Guangdong Science and Technology Department* (廣東省科學技術廳), Guangdong Finance Department* (廣東省財政廳), Guangdong National Taxation Bureau* (廣東省國家税務局) and Guangdong Local Taxation Bureau* (廣東省地方税務局). We received awards, including Yingde Science and Technology Progress Award Second Prize (英德市科學技術進步獎勵二等獎) by Yingde Municipal People's Government* (英德市人民政府), and Qingyuan Excellent Enterprise (清遠市優秀企業) by Qingyuan Enterprise Association* (清遠市企業聯合會), Qingyuan Entrepreneur Association* (清遠市企業家協會) and Qingyuan Daily Office* (清遠日報社), respectively.

During the Track Record Period, we also received the following major awards and recognitions:

Year of grant	Award or recognition	Issuing institution/authority
2016	Qingyuan Science and Technology Progress Award Second Prize (清遠市科學技術進步獎勵二等獎)	Qingyuan Municipal People's Government* (清遠市人民政府)
2018	Guangdong Innovative Enterprise (廣東省創新型企業)	Guangdong High-tech Enterprise Association* (廣東省高新技術企業協會)
2019	Guangdong Excellent Enterprise in 2018 (2018年廣東省優秀企業)	Guangdong Provincial Enterprise Confederation* (廣東省企業聯合會) and Guangdong Provincial Association of Enterprise (廣東省企業家協會)

During the Track Record Period, our high-purity tantalum pentoxide was accredited as a high-tech product (高新技術產品) by Guangdong Science and Technology Department* (廣東省科學技術廳). Our high-purity niobium pentoxide and potassium heptafluorotantalate were also accredited as high-tech products by Guangdong High-tech Enterprise Association* (廣東省高新技術企業協會).

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, we owned 19 utility model patents and five invention patents and had filed 11 patent applications in the PRC. We also possess know-how and proprietary knowledge related to our products and technologies, which are crucial to our business operations. In addition, we have registered one trademark " " in Hong Kong. At the same time, we have registered one trademark and applied for registration of two trademarks in the PRC. For more information, please refer to the paragraph headed "Further information about the business of our Company — 8. Intellectual property rights of our Group" in Appendix V to this document.

We have adopted some intellectual property protection measures to manage the applications, operations and maintenance, among others, of our intellectual property rights. Through such measures, we protect our intellectual property rights by entering into confidentiality and non-competition agreements with our key employees, developing codes of communication relating to the intellectual property rights as well as assigning varying levels of access to such information. Moreover, the academic and research institutes with which we have established collaborative relationships are subject to confidentiality clauses under the relevant collaborative agreements, which would protect our proprietary information.

During the Track Record Period and as at the Latest Practicable Date, we were not involved in any threatened or pending disputes or legal proceedings regarding intellectual property rights that may have a material and adverse effect on our business.

INFORMATION TECHNOLOGY

We rely, to a large extent, on our information systems for daily operations, especially our operation management information system. Our information systems enable us to record financial data, analyse our historical financial performance and monitor our financial conditions. From time to time, we procure new or upgrade existing information systems based on our business needs. During the Track Record Period, we did not suffer any major information technology system failures or related losses.

QUALITY CONTROL

We have a quality control department to ensure that our products and raw materials meet our quality standards. Our quality control team has experience in the tantalum and niobium metallurgy industry and relevant training in the quality control.

We have in place a stringent quality control system for the entire production process, from procurement of raw materials to inspection of finished products. We first obtained ISO 9001 certification in June 2012 for the production of our products, demonstrating that our quality control system meets recognised international standards of quality assurance. We have adopted and implemented standards and procedures to ensure that our industrial grade tantalum pentoxide, high-purity tantalum pentoxide, industrial grade niobium pentoxide, high-purity niobium pentoxide and potassium

heptafluorotantalate meet the applicable PRC national standards issued by MIIT and NDRC, namely YS/T 427-2012, YS/T 547-2007, YS/T 428-2012, YS/T 548-2007 and YS/T 578-2006, respectively, before delivery. The following is a summary of key quality control measures that we have implemented throughout our operations:

- *Inspection of raw materials*. We have a set of procedures for selecting and monitoring our suppliers to ensure that the raw materials we use are of high quality. Our quality control department inspects each batch of raw materials on a sampling basis before acceptance to ensure their compliance with the specifications stipulated in our procurement contracts and industry standards. Generally, if the raw materials fail to meet the specifications stipulated in our procurement contracts, we are entitled to a price discount or may reject the entire batch of such raw materials.

- *Process control*. Our quality control department undertakes consistent quality tests and inspections during the production process to ensure that our work-in-progress complies with the required quality standards. Defects identified by such tests and inspections will generally not be further processed and will be returned to the production process for reprocessing or will be disposed of. Our quality control professionals maintain records that detail such tests and inspections.

- *Inspection of finished product samples*. Prior to delivery of finished products, our quality control department performs a set of routine inspections on finished product samples by examining their physical appearance and conducting chemical composition analysis. Any finished products that do not pass our quality tests and inspections will be reprocessed in accordance with our internal control procedures and policies.

- *Machinery and equipment management*. Our machinery and equipment management department conducts checks, repairs and maintenance of our production facilities, whenever necessary, to ensure their stable, safe and reliable operation.

Based on these quality control measures, we would be able to provide our customers with high-quality products. During the Track Record Period, we did not experience any material sales returns by our customers nor receive any product liability or other legal claims in connection with the quality of our products.

ENVIRONMENTAL MATTERS

We are committed to environmental protection. Our operations primarily generate waste gas, waste water, noise and solid waste, which could potentially be harmful to the environment and health of local residents as well as our employees in case of improper handling. For details, please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — Our business operations are subject to risks relating to hazardous chemicals and potential accidents arising from our operations, and other unforeseen risks" in this document. Therefore, we strictly comply with national and local environmental laws and regulations applicable to our production and research facilities, including but not limited to those related to air pollutant emission, acid pollution, noise pollution, and waste water and solid waste discharge. For details, please refer to the paragraph headed "Regulatory Overview — PRC Laws and Regulations relating to environmental protection" in this document. We first obtained ISO 14001 certification in July 2013 for the production and related management activities of our products, demonstrating the recognition for our sustained efforts in environmental protection.

The local competent authorities conduct regular or random inspection of our operations regarding the compliance with various environmental protection laws and regulations. In addition, to ensure that our operations observe the relevant environmental laws and regulations, we have implemented the following measures:

- We have installed environmental protection equipment on our existing production plant, aimed to minimise the impact on the environment from our production, such as waste gas disposal tower (廢氣處理塔) to process the waste gas containing ammonia and fluoride.

- We cooperated with qualified third-party entities for the disposal of our hazardous solid waste during the Track Record Period.

- We monitor, through on-site facilities, to ensure that we satisfy the relevant PRC environmental laws and regulations on air pollutant emission, acid pollution, noise pollution, and waste water and solid waste discharge.

Pursuant to the environmental acceptance approval issued by competent authorities in December 2006, we constructed our production facilities with an annual processing capacity of 600 tonnes of tantalum ores and niobium ores. In November 2016, we obtained a reply from Yingde Environmental Protection Bureau approving the environmental impact assessment to expand our annual processing capacity from 600 tonnes of tantalum ores and niobium ores to production capacity of 2,000 tonnes of pentoxide products. During the period between January 2014 and November 2016, we continuously expanded our annual production capacity of tantalum ores and niobium ores as a result of the improvement in our production techniques. However, we did not resubmit the environmental impact assessment for approval before expanding our annual production capacity of tantalum ores and niobium ores. For details, please refer to the paragraph headed "Compliance and legal proceedings — Non-compliance" in this section. As advised by our PRC Legal Advisers, save as disclosed above, we had complied with all applicable environmental laws and regulations in PRC during the Track Record Period in all material respects. As at 30 April 2019, we had not received any notification or warnings and had not been subject to any material environmental claims, lawsuits, penalties or disciplinary actions. We incurred approximately RMB0.1 million, RMB0.5 million, RMB4.2 million and RMB1.3 million for FY2016, FY2017, FY2018 and 4M2019, respectively, relating to our compliance with applicable environmental laws, regulations and policies. We estimate our expenses relating to environmental protection matters will be approximately RMB8.4 million for the year ending 31 December 2019.

OCCUPATIONAL HEALTH AND SAFETY

We have implemented stringent safety measures at our production facilities to ensure compliance with applicable regulatory requirements. Our production department is responsible for the supervision and inspection of production safety at all stages of our production process to minimise the possibility of work-related accidents or injuries, as well as the maintenance of the appropriate licences and permits required in our operations. We conduct periodic inspections of our equipment and machinery to ensure their safety and suitability for our operations. We also conduct regular training sessions for employees on safety procedures and accident prevention, and have implemented a series of policies and procedures to address, among others, occurrence of fires, accident prevention and handling, and emergency response. We first obtained OHSAS 18001 certification in July 2013 for the production and related management activities of our products, demonstrating the recognition for our sustained efforts in relation to occupational health and safety.

The production process of tantalum- and niobium-based metallurgical products involves the handling and processing of hazardous chemicals, such as sulphuric acid and hydrofluoric acid. Improper handling of these chemical materials or wastes can result in pollution and accidents. We have in place designated warehouses and storage tanks for the storage of raw materials and products that are hazardous substances. These warehouses and storage tanks are equipped with safety and firefighting systems and equipment in accordance with relevant PRC laws and regulations. We have also installed detection and auto-alarm systems in our production facilities to ensure timely discovery of any leakage, and cameras covering all areas of our plant to allow our management or fire department to efficiently identify the accurate location of any incident, and direct the rescue accordingly. We also have a designated materials management department overseeing the strict management of our material storage activities, including maintaining a ledger on raw materials and products. In addition, we also provide our employees with gas masks, rubber gloves, chemical protective clothing and require all employees to wear when handling relevant chemical materials.

During the Track Record Period, no material accidents involving any personal injury or property damage were reported to our management and we were not subject to any claims, lawsuits, penalties or disciplinary actions arising from any material accidents involving personal injury or property damage that have had a material adverse effect on our business, financial condition and results of operations.

EMPLOYEES

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 skill and knowledge.

The following table sets forth the number of our employees by function as at the Latest Practicable Date, all of whom were located in the PRC:

	Number of employees
Production	105
Finance	10
Research and development	10
Machinery and equipment management	22
Sales and procurement	15
Quality control	32
Administrative and human resources	28
General manager	1
Total	**223**

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. The local bureau of social insurance in Yingde, Guangdong Province, has confirmed that we

had complied with PRC social insurance laws and regulations during the Track Record Period in all material respects. The relevant housing funds management centre has confirmed that we had not been penalised under PRC housing fund management laws and regulations during the Track Record Period.

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. During the Track Record Period, we did not experience any material labour disputes with our employees.

PROPERTIES

Self-used land in PRC

As at 30 April 2019, we occupied the self-used land with a total site area of approximately 113,306 sq.m. in Yingde, Guangdong Province, China. As at the Latest Practicable Date, we: (i) had obtained the land use right certificates for the land with a total site area of approximately 91,402 sq.m., representing approximately 80.7% of the total site area of our self-used land; and (ii) have not obtained the land use right certificates for the remaining land with a total site area of approximately 21,904 sq.m., representing approximately 19.3% of the total site area of our self-used land. For further details of the part of our self-used land with detective titles, please refer to the paragraph headed "Compliance and legal proceedings — Non-compliance" in this section.

During the Track Record Period, we did not obtain the land use right certificate for part of our self-used land with a total site area of approximately 71,376 sq.m., of which we had obtained the land use right certificate for such land with a total site area of approximately 49,472 sq.m. as at 30 April 2019. If we had obtained the relevant land use right certificates for such part of our self-used land with a total site area of 71,376 sq.m., in addition to the land transfer fee, we would have incurred amortisation of land lease payments of approximately RMB0.4 million for each year during the Track Record Period.

Our PRC Legal Advisers are of the view that we will have the right to occupy, use, transfer, lease, mortgage or otherwise dispose of such land use rights in accordance with applicable PRC laws and regulations once we have obtained the relevant land use right certificates.

Leased land in PRC

As at 30 April 2019, we leased one parcel of land with a total site area of approximately 133,333 sq.m. in Yingde, Guangdong Province, China, which was not used for production and did not house any building. This lease has a term of 20 years and will expire in June 2031. As advised by our PRC Legal Advisers, the lease is valid within the 20 years from the effective date and may be renewed at the end of the lease term.

Self-used buildings in PRC

As at the Latest Practicable Date, we occupied 17 buildings with a gross floor area of approximately 27,996 sq.m. in China. As at the Latest Practicable Date, we: (i) had obtained the building ownership certificates for 13 of these buildings with a gross floor area of approximately 20,381 sq.m., representing 72.8% of the gross floor area of our self-used buildings; and (ii) had not obtained the building ownership certificates for the remaining four buildings with a gross floor area of

approximately 7,615 sq.m., representing 27.2% of the gross floor area of our self-used buildings. For further details of the part of our self-used buildings with detective titles, please refer to the paragraph headed "Compliance and legal proceedings — Non-compliance" in this section.

During the Track Record Period and up to the Latest Practicable Date, we had not been penalised by any PRC competent authorities regarding safety condition of buildings with defective titles. Our Directors confirm that the safety condition of these buildings with defective titles was in compliance with the relevant PRC laws and regulations in material respects during the Track Record Period and up to the Latest Practicable Date, as we have passed the requisite construction completion inspection and fire control assessments, obtained the construction completion acceptance records and have applied for the building ownership certificates.

Our PRC Legal Advisers are of the view that there is no legal impediment for us to obtain such building ownership certificates according to the confirmation letters issued by relevant competent authorities, and we will have the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such building ownership certificates in accordance with applicable PRC laws and regulations once we have obtained the building ownership certificates.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, valued our property interests in the PRC at RMB59.7 million as at 30 June 2019. The text of the valuation report, valuation summary and valuation certificates in connection with its valuations are set out in Appendix III to this document. Except for the property interests in the valuation report, no single property interest that forms part of our non-property activities had a carrying amount of 15% or more of our total assets as at 30 April 2019.

Leased buildings in PRC

As at the Latest Practicable Date, we leased four office spaces for administrative purposes in Panyu, Guangdong Province, China, with an aggregate gross floor area of approximately 643 sq.m.. The term of such leases expires on 31 December 2022. We have duly registered all the lease agreements with the relevant regulatory authorities. As at the Latest Practicable Date, our landlord had not obtained the relevant building ownership certificates because the real estate developer of such buildings did not provide the necessary information for applying for the building ownership certificate on time. Our Directors believe, and our PRC Legal Advisers have advised us that, our business and results of operations will not be adversely and materially affected as such buildings are used for office purposes and we do not foresee any difficulty in finding alternative leased buildings, if necessary, within a short period of time. It would take approximately one day to relocate such four offices to alternative leased buildings. As advised by our PRC Legal Advisers, we have the right to use the leased buildings according to the lease agreements. The tenancy agreements for the leased buildings in PRC were entered into by Zhiyuan New Material with our connected person. For details, please refer to the section headed "Connected Transactions" in this document.

Leased property in Hong Kong

As at the Latest Practicable Date, we leased a property situated at Workshop E, 7th Floor, Derrick Industrial Building, No. 49 Wong Chuk Hang Road, Hong Kong (the "**Hong Kong Workshop Unit**") with a gross floor area of approximately 1,979 square feet as our workshop and principal place of business in Hong Kong. The Hong Kong Workshop Unit was leased at nil rental for the period from 16

June 2019 to 15 July 2019 and at a monthly rental of HK$35,000 for the period from 16 July 2019 to 15 July 2021. The tenancy agreement for the Hong Kong Workshop Unit was entered into by Xite Hong Kong with our connected person. For details, please refer to the section headed "Connected Transactions" in this document.

INSURANCE

We take out property insurance for our equipment and machinery, as well as automobile insurance for our vehicles. These insurance policies cover the risk of damages arising from natural disasters and certain accidents, such as fire and explosion, as well as vehicle damages due to accidents. Most of our insurance policies are subject to standard deductions, exclusions and limitations. We are also required by PRC social insurance laws and regulations to make contributions for social insurance funds for our employees. Consistent with customary practise in China, we do not take out any product liability insurance relating to claims or liabilities that may arise from any defects of our products.

We believe that our insurance coverage is in line with industry practise in China, including with respect to the terms and coverage of the insurance policies. However, there is no assurance that the insurance policies we maintain are sufficient to cover all of our operational risks. For details, please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — Our insurance coverage might not be adequate to cover all the risks" in this document.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. For more information, please refer to the section headed "Risk Factors" in this document. We have established risk management systems consisting of relevant policies and procedures that we believe are appropriate for our business operations, including the production and sale of our products, administration of daily operations, financial reporting and recording, fund management, quality control, and compliance with applicable laws and regulations on environment protection, production safety and anti-bribery.

Our Board oversees and manages the overall risks associated with our operations. We [have] established an audit committee to review our financial reporting policies and internal control system. The audit committee consists of three members, namely Mr. Lau Kwok Fai Patrick, who serves as chairman of the committee, Mr. Zhong Hui and Mr. Yin Fusheng. For the qualifications and experience of these committee members, please refer to the section headed "Directors and Senior Management" in this document.

In order to improve our corporate governance and to prevent the recurrence of non-compliance incidents in the future, we have adopted, or expect to adopt before **[REDACTED]**, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- Our Directors and senior management attended a training session on 6 August 2019 in relation to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

- We have adopted various policies to ensure compliance with the Listing Rules, including those in relation to continuing connected transactions and information disclosure.

- We have implemented internal control policies in relation to financial management.

- We have implemented a series of internal rules and regulations in relation to our business operations, including those in relation to the management of our quality control, occupational health and safety, production and procurement.

We have also established the following internal control measures to ensure compliance with all applicable laws and regulations after **[REDACTED]**:

- Our management and employees will consult with an external legal counsel concerning legal risks and compliance matters.

- Our administrative and human resources department established a regular consultation mechanism to identify, prevent and rectify any potential non-compliance matter in the future, including but not limited to, whether our business operation involves State secrets.

- Our Board will ensure that relevant land use right certificates and building ownership certificates are obtained, which will be supervised by the audit committee.

- Our Board will ensure that all relevant certificates are obtained and that environmental impact assessments are conducted before the completion of any expansion project, which will be supervised by the audit committee.

Our sales are primarily denominated in RMB whereas our purchases of tantalum ores and niobium ores were primarily denominated in USD. If the USD appreciates against RMB, the cost of our purchase would become higher and adversely affect our profitability. For the associated risk, please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — Our sales are primarily denominated in RMB whereas our purchases of tantalum ores and niobium ores were primarily denominated in USD. Fluctuations on exchange rates between RMB and USD may have a material and adverse impact on our financial condition and profitability" in this document. We have developed foreign exchange risk management measures to manage our exposure to foreign exchange risk in relation to USD. These measures were formulated by our finance department and have been reviewed by our internal control consultant, which include: (i) the head of our sales and procurement department is required to report to the head of finance department the expected annual level of purchase of raw materials based on our annual sales target and annual production capacity as well as market conditions; (ii) the head of finance department is required to make a periodic or ad hoc (if necessary) analysis of the exchange rate fluctuation of USD/RMB; (iii) if the head of finance department considers it necessary to enter into forward currency contracts to manage our foreign currency exposure, the head of finance department should follow our internal policies on forward currency contracts as disclosed below; and (iv) the reasons giving rise to the foreign exchange gain or loss recorded for the quarter should be submitted to our Board and the audit committee for review and monitoring purpose.

During the Track Record Period, we entered into certain forward currency contracts, which were all settled as at 30 April 2019, to manage our foreign currency exposure. For the associated risks, please refer to the paragraphs headed "Risk Factors — We may not successfully mitigate our exposure to

foreign exchange risks through forward currency contracts" and "Risk Factors — If we hold derivative financial instruments in the future, such derivative financial instruments may materially and adversely affect our financial condition and results of operations" in this document. We have implemented a set of internal control and risk management measures to manage our risks related to such forward currency contracts. These measures were formulated by our finance department and have been reviewed by our internal control consultant, which include: (i) before making a proposal to enter into forward currency contracts, the head of finance department is required to evaluate our cash flow and operational needs and capital expenditures; (ii) according to our internal policies, regardless of the investment size, a proposal to enter into forward currency contracts must first be reviewed by the head of finance department. After the head of finance department approves the proposal, the proposal then has to be approved by the committee for forward currency contracts led by Mr. Zhong Yuelian; and (iii) if the investment exceeds 30% of the audited net assets of the last financial year, the proposal must be approved by our Chairman.

During the Track Record Period, Zhiyuan New Material purchased raw materials from its immediate holding company, Xite Hong Kong. Upon the initiation by Zhiyuan New Material, Xite Hong Kong made purchases from third-party suppliers for onward sales to Zhiyuan New Material. For details, please refer to the paragraph headed "Transfer pricing arrangement between Zhiyuan New Material and Xite Hong Kong" in this section. We have adopted the following internal control measures in relation to transfer pricing to ensure ongoing compliance with the relevant tax laws and regulations in Hong Kong and the PRC: (i) engaging a tax adviser on transfer pricing to perform an assessment and make recommendations at least once a year on whether the related transactions within our Group are conducted in line with market; and (ii) designating a member of staff with relevant knowledge to monitor the status of compliance with the recommendations of our tax adviser on transfer pricing and to report to the Board at least once every six months.

We have engaged an internal control consultant to review our internal control policies including entity-level controls, compliance monitoring controls, financial and accounting procedures, sales procedures and recovery of trade receivables, cash management procedures, procurement procedures, production procedures, inventory management procedures, intellectual property protection, human resources management procedures, fixed asset management procedures, tax management procedures (including transfer pricing) and other general control measures. Our internal control consultant performed the work and put forward recommendations based on the review of our internal control policies. Accordingly, we have implemented rectification and improvement measures, as the case may be, in response to these findings and recommendations; our internal control consultant has also completed procedures to follow up on the actions we took in relation to our internal control system.

Our internal control consultant conducted a follow-up review in June 2019 and August 2019 of the remedial actions taken by us to address the findings of the internal control review process, and noted that we had considered their recommendations and also taken the necessary remedial actions to address our internal control deficiencies and weaknesses. After the follow-up review, the internal control consultant was satisfied that there is no material deficiencies in the adequacy and effectiveness of our Group's risk management and internal control systems. In addition, our Directors confirm that our Company will periodically evaluate the effectiveness of, and ensure the compliance with the risk management and internal control policies and procedures, in particular, to make sure our employees will adhere to such policies and procedures. Our Directors are not aware of any significant deficiencies in the internal control design or material impediment for our employees to comply with the enhanced risk

management and internal control policies and procedures. We did not receive any additional recommendations from the internal control consultant as at the Latest Practicable Date. Based on above, our Directors are of the view that our Group's risk management and internal control policies and procedures are effective.

COMPLIANCE AND LEGAL PROCEEDINGS

Certificates, Licences and Permits

According to the relevant PRC laws and regulations, we are required to obtain and maintain different certificates, licences and permits to operate our business. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had obtained all the requisite certificates, licences and permits from relevant regulatory authorities with respect to our operations. We are required to renew or have examined such certificates, licences and permits from time to time. As advised by our PRC Legal Advisers, such certificates, licences and permits were lawfully obtained and effective within the approved period of validity.

The following table sets forth details of our material certificates, licences and permits, which are held by Zhiyuan New Material:

Certificate/Licence/Permit	Granting authority	Grant date	Expiry date/ Renewal date
Business Licence	Qingyuan AIC	18 January 2018	20 April 2026
Guangdong Pollutant Discharge Permit (廣東省污染物排放許可證)	Qingyuan Ecology and Environment Bureau Yingde Branch* (清遠市生態環境局英德分局)	2 August 2019	31 December 2020
Work Safety Licence (安全生產許可證)	Qingyuan Emergency Management Bureau* (清遠市應急管理局)	19 April 2019	21 April 2022
Hazardous Chemicals Registration Certificate (危險化學品登記證)	The Chemical Registration Center of the Ministry of Emergency Management* (應急管理部化學品登記中心)	18 March 2019	17 March 2022
Water Drawing Permit (取水許可證)	Yingde Water Supplies Bureau* (英德市水務局)	31 August 2016	2 September 2021
Special Equipment Use Registration Certificate (Stationary pressure vessel — Liquid ammonia storage tank) (特種設備使用登記證 (固定式壓力容器 — 液氨貯罐))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	4 July 2012	April 2022
Special Equipment Use Registration Certificate (Stationary pressure vessel — Steam intermediate tank B1) (特種設備使用登記證 (固定式壓力容器 — 蒸汽過濾罐B1))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	4 July 2012	April 2021
Special Equipment Use Registration Certificate (Stationary pressure vessel — Steam intermediate tank B2) (特種設備使用登記證 (固定式壓力容器 — 蒸汽過濾罐B2))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	4 July 2012	April 2021

Certificate/Licence/Permit	Granting authority	Grant date	Expiry date/ Renewal date
Special Equipment Use Registration Certificate (Stationary pressure vessel — Steam intermediate tank C) (特種設備使用登記證 (固定式壓力容器 — 蒸汽過濾罐C))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	4 July 2012	April 2021
Special Equipment Use Registration Certificate (Stationary pressure vessel — Ammonia intermediate tank A1) (特種設備使用登記證 (固定式壓力容器 — 氨過濾罐A1))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	4 July 2012	April 2021
Special Equipment Use Registration Certificate (Stationary pressure vessel — Ammonia intermediate tank A2) (特種設備使用登記證 (固定式壓力容器 — 氨過濾罐A2))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	4 July 2012	April 2021
Special Equipment Use Registration Certificate (Stationary pressure vessel — Ammonia intermediate tank A3) (特種設備使用登記證 (固定式壓力容器 — 氨過濾罐A3))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	4 July 2012	April 2021
Special Equipment Use Registration Certificate (Steam production boiler — WNS2-1-25-YQ) (特種設備使用登記證 (蒸汽鍋爐 — WNS2-1-25-YQ))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	4 July 2012	May 2021 (internal)/ July 2020 (external)
Special Equipment Use Registration Certificate (Steam production boiler — WNS2-1.0-Y) (特種設備使用登記證 (蒸汽鍋爐 — WNS2-1.0-Y))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	4 July 2012	May 2021 (internal)/ July 2020 (external)
Special Equipment Use Registration Certificate (Elevator — MH5-28.3A3) (特種設備使用登記證 (電動葫蘆門式起重機 — MH5-28.3A3))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	30 October 2012	July 2020
Special Equipment Use Registration Certificate (Motor vehicle — CPC30E-3) (特種設備使用登記證 (場(廠)內專用機動車輛 — CPC30E-3)	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	25 December 2013	July 2020
Special Equipment Use Registration Certificate (Pressure pipelines) (特種設備使用登記證 (壓力管道)	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	6 March 2014	31 January 2020
Special Equipment Use Registration Certificate (Elevator — LD5T-7.9m) (特種設備使用登記證 (電動單樑起重機 — LD5T-7.9m))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	28 October 2015	September 2019
Special Equipment Use Registration Certificate (Motor vehicle — CPC30) (特種設備使用登記證 (場(廠)內專用機動車輛 — CPC30)	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	9 March 2016	July 2020

Certificate/Licence/Permit	Granting authority	Grant date	Expiry date/ Renewal date
Special Equipment Use Registration Certificate (Pressure vessel — Liquid ammonia storage tank) (特種設備使用登記證 (壓力容器 — 液氨貯罐))	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	8 November 2016	21 October 2019
Special Equipment Use Registration Certificate (Pressure pipelines — Industrial pipelines) (特種設備使用登記證 (壓力管道 — 工業管道)	Qingyuan Quality and Technology Supervision Bureau* (清遠市質量技術監督局)	11 November 2016	30 September 2020
Customs Declaration Registration Certificate (報關單位註冊登記證書)	Qingyuan Customs (清遠海關)	12 June 2016	N/A
Certificate of Registration of the Unit of Self-inspection (出入境檢驗檢疫報檢企業備案表)	Qingyuan Customs (清遠海關)	29 June 2018	N/A

Legal Proceedings

We may from time to time be involved in legal, arbitration or administrative proceedings in the ordinary course of our business. As at the Latest Practicable Date, there were no legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors, which could have a material and adverse effect on our financial conditions or results of operations.

Non-compliance

Except for the non-compliance incidents disclosed below, we are advised by our PRC Legal Advisers that, during the Track Record Period and up to the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material respects.

Non-compliance incident	Legal consequences and maximum penalty	Current status	Remedies and internal control measures
1. During the Track Record Period, we did not obtain the relevant land use right certificates for part of our self-used land with a total site area of approximately 71,376 sq.m., representing approximately 63.0% of the total site area of our self-used land. Among such land, the land with a total site area of approximately 26,342 sq.m. and representing approximately 23.2% of the total site area of our self-used land ("**Land I**") was primarily used to house certain of the facilities for our major products, namely pentoxide products and potassium heptafluorotantalate production, and part of our comprehensive recycling workshop (綜合回收車間) (with the remaining part of these facilities housed in Land III, as described below). Among the remaining land with a total site area of approximately 45,035 sq.m. and representing approximately 39.7% of the total site area of our self-used land: (i) the land with a total site area of approximately 13,669 sq.m. and representing approximately 12.1% of the total site area of our self-used land ("**Land II**") was not used for production; and (ii) the land	Our PRC Legal Advisers have advised us that, under the relevant PRC laws and regulations, for the land we have occupied and used historically without obtaining the land use right certificates, we may be subject to a fine of up to approximately RMB2.1 million and/or suspended from occupying and using the land. Further, our PRC Legal Advisers advised that it is unlikely that the revenue from our production and operation will be confiscated because of the land we have occupied and used during the Track Record Period without obtaining the land use right certificates, and that our risk of being penalised by the relevant government authorities due to such matter is remote.	We have been communicating with relevant competent authorities to apply for the land use right certificates for such land and made progress towards obtaining the land use right certificates, and had obtained the land use right certificates for the land with a total site area of approximately 49,472 sq.m. during the Track Record Period and up to the Latest Practicable Date. For Land I, we obtained the land use right certificates on 6 September 2017 for a land transfer fee (土地出讓金) of RMB4,985,000 which had been paid in full by us. For Land II, we obtained the land use right certificates on 10 November 2017 for a land transfer fee of RMB2,600,000, which had been paid in full by us. For Land III: (i) for part of the self-used land with a total site area of approximately 9,461 sq.m., we obtained the land use right certificates on 4 December 2018 and 27 December 2018, respectively, for a land transfer fee of RMB1,850,000 in total which had been fully paid by us; (ii) we will obtain the approval for the use of urban construction land of approximately 21,904 sq.m. from the relevant competent authority; (iii) the competent authority will issue the relevant listing announcements for right to use the state-owned construction land; (iv) we will enter into the contracts for assigning the right to use the state-owned construction land with the relevant competent authority; and (v) we expect to pay the total estimated amount of the land transfer fee of approximately RMB4.3 million.	We had formulated internal control policies in connection with this non-compliance incident, including but not limited to: (i) our administrative and human resources department is responsible for, and our Board will oversee, the application for relevant land use right certificates; and (ii) our audit committee of the Board will be responsible for overseeing the implementation of relevant internal control measures. We had designated Mr. Liu Honggang (劉宏剛) ("**Mr. Liu**"), head of our administrative and human resources department, who is familiar with the relevant administrative procedures, to oversee the process of applying for relevant land use right certificates and implementation of corresponding internal control policies. For general enhanced internal control measures to prevent recurrence of non-compliance incidents, please refer to the paragraph headed "Risk management and internal control" in this section.

Non-compliance incident	Legal consequences and maximum penalty	Current status	Remedies and internal control measures
with a total site area of approximately 31,366 sq.m. and representing approximately 27.7% of the total site area of our self-used land ("**Land III**") was used to house the remaining part of our comprehensive recycling workshop and was not used for production. The non-compliance occurred mainly because of our unfamiliarity with the regulatory requirements for obtaining the land use right certificates.		Our PRC Legal Advisers also confirm that as the remaining part of Land III with a total site area of approximately 21,904 sq.m. was not primarily used for production, our production and business operation will not be adversely and materially affected if we fail to obtain the relevant land use right certificates. Our Directors are of the view that these defective titles are not individually or collectively crucial to our business operation based on the great progress we have made towards obtaining the land use right certificates. As a result, no provision has been made in our consolidated financial statements. In the event that the relevant competent authorities impose any fines or penalties on us, our Controlling Shareholders agree to indemnify us for all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us due to such non-compliance.	

Non-compliance incident	Legal consequences and maximum penalty	Current status	Remedies and internal control measures
2. During the Track Record Period, we did not obtain the building ownership certificates for 13 buildings with an aggregate gross floor area of approximately 16,678 sq.m.. Among these 13 buildings, (a) five buildings with an aggregate gross floor area of approximately 8,414 sq.m. ("**Building Group I**") were used as: (i) production workshops to house certain of our facilities for pentoxide products and potassium heptafluorotantalate production; (ii) comprehensive recycling workshop to house our waste material recycling facilities; and (iii) warehouse to store liquid ammonia (液氨). Except for part of the comprehensive recycling workshop, all such buildings were erected on Land I. For our comprehensive recycling workshop with a gross floor area of 3,465 sq.m., approximately two-thirds was on Land I and the remaining one-third was on Land III; (b) six buildings with an aggregate gross floor area of approximately 4,424 sq.m. ("**Building Group II**") were erected on the land for which we have obtained the land use right certificates. These six buildings are	Our PRC Legal Advisers have advised us that, under the relevant PRC laws and regulations: (i) for the buildings we have put into use historically without environmental assessments, we may be subject to a fine ranging between 1% and 5% of the total investment of the construction project, and/or suspended from using the buildings; (ii) for the buildings that we have put into use historically without passing fire control assessments, we may be ordered to make a correction within a prescribed time limit and be fined not more than RMB5,000 and/or temporary suspension of the usage of the relevant buildings; (iii) for the construction work carried out without the construction planning permit, the relevant competent authorities at or above the county level may order the cessation of construction. If the impact on the planning caused by such construction can be eliminated, the relevant competent authorities may order the construction entity to rectify such impact and impose an additional fine	For the three buildings used as production workshops to house certain of our facilities for pentoxide products and potassium heptafluorotantalate production in Building Group I, we had obtained all of these building ownership certificates as at the Latest Practicable Date, with cost of RMB2,370.0 which has been paid in 2017. For our comprehensive recycling workshop with gross floor area of 3,465 sq.m. and the warehouse with gross floor area of 310 sq.m. in Building Group I, we have applied for the building ownership certificate. Subject to the final approval procedures of the relevant competent authorities, we expect to obtain the building ownership certificate for the comprehensive recycling workshop and the warehouse by the end of December 2020. For the six buildings in Building Group II, we have obtained the building ownership certificates for four buildings with an aggregate gross floor area of approximately 3,324 sq.m. on 27 February 2018, with cost of RMB5,108.3 which has been paid in February 2018; and the remaining two buildings which were mainly used as warehouse with an aggregate gross floor area of approximately 1,100 sq.m. had been removed as at the Latest Practicable Date. For the two buildings in Building Group III, we expect to obtain the building ownership certificates by the end of December 2020. Our Directors are of the view that the costs we incurred for the buildings with defective titles would not materially differ from that we would have to pay if these buildings did not have defective titles. On 29 May 2019, 21 June 2019 and 16 July 2019, we obtained confirmation letters from relevant competent authorities confirming that they: (i) have not imposed any	We had formulated internal control policies in connection with this non-compliance incident, including but not limited to: (i) our administrative and human resources department is responsible for, and our Board will oversee, the application for relevant building ownership certificates; and (ii) our audit committee of the Board will be responsible for overseeing the implementation of relevant internal control measures. We had designated Mr. Liu, head of our administrative and human resources department, who is familiar with the relevant administrative procedures, to oversee the process of applying for relevant building ownership certificates and implementation of corresponding internal control policies. The remaining two buildings of Building Group I and two buildings of Building Group III with defective titles are mainly used as comprehensive recycling workshop and warehouse. As at the Latest Practicable Date, we had not relocated the materials and machinery in such buildings to rectify the non-compliance mainly because (i) we expect to obtain the building ownership certificates for these buildings by the end of December 2020; (ii) our PRC Legal Advisers' Opinion mentioned above; and (iii) the confirmation letters dated 29 May 2019, 21 June 2019 and 16 July 2019, respectively confirming that the competent authorities: (a) have not imposed any fines or penalties up to the date of such confirmation letters; (b) will not require us to demolish such buildings with defective titles; and (c) will assist us in the process of obtaining relevant building ownership certificates. If we were required by the

Non-compliance incident	Legal consequences and maximum penalty	Current status	Remedies and internal control measures
used as dormitory, maintenance workshop, storage space and office; and (c) two buildings with an aggregate gross floor area of 3,840 sq.m. ("**Building Group III**") were erected on the land for which we have obtained land use right certificates. These two buildings were used as comprehensive recycling workshop and storage space. The non-compliance was mainly because: (i) we did not obtain land use right certificates for the land on which Building Group I was erected, and did not apply for the construction planning permits and construction work commencement permits for Building Group II which were used for non-operational purposes; and (ii) our unfamiliarity with the regulatory requirements for obtaining the building ownership certificates.	of not less than 5% but not more than 10% of the construction cost. If such impact cannot be eliminated, the relevant competent authority may order the construction entity to demolish the buildings or structures, and confiscate the buildings or structures or any income illegally earned from such buildings or structures; and/or impose a fine of not more than 10% of the construction cost; and (iv) for construction work carried out in the past without the construction work commencement permit, the relevant competent authorities may order the construction entity to rectify within a prescribed period and/or impose a fine of not less than 1% but not more than 2% of the contract price of the project.	fines or penalties up to the date of such confirmation letters; (ii) will not require us to demolish the buildings with defective titles; and (iii) will assist us in the process of obtaining relevant building ownership certificates. Our Directors were of the view that, these defective titles are not individually or collectively crucial to our business operation based on these confirmation letters. As a result, no further provision has been made in our consolidated financial statements. Our PRC Legal Advisers confirmed that: (i) the possibility that we will be required to demolish the buildings with defective titles without obtaining the requisite permits and certificates is remote according to the confirmation letters issued by relevant competent authorities; and (ii) there will be no legal impediment for us to obtain the relevant building ownership certificates according to the confirmation letters issued by relevant competent authorities ("**PRC Legal Advisers' Opinion**"). In the event that the relevant competent authorities impose any fines or penalties on us, our Controlling Shareholders agree to indemnify us for all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us due to such non-compliance.	competent authorities to demolish or re-construct such buildings, the total estimated demolishment and relocation costs for demolishing the part of the buildings in Building Group I which are erected on the part of Land III (which we have not yet obtained land use right certificates) and relocating the materials and machinery in the demolished buildings to our buildings nearby are approximately RMB0.1 million and it would take up to 15 days for the relocation. For general enhanced internal control measures to prevent recurrence of non-compliance incidences, please refer to the paragraph headed "Risk management and internal control" in this section.

	Non-compliance incident	Legal consequences and maximum penalty	Current status	Remedies and internal control measures
3.	During the period between January 2014 and November 2016, we had been continuously expanding our annual processing capacity of tantalum ores and niobium ores to a level exceeding 600 tonnes, which was specified in the environmental acceptance approval issued by competent authorities in December 2006 (the "**2006 Environmental Approval**"). We failed to re-submit the environmental impact assessment for approval before expanding our annual processing capacity of tantalum ores and niobium ores. The non-compliance was mainly due to (i) the improvement in our production techniques, enabling us to process tantalum ores and niobium ores without constructing new facilities; and (ii) our unfamiliarity with the relevant environmental regulatory requirements.	As advised by our PRC Legal Advisers, according to the Law of the People's Republic of China on Environmental Impact Assessment (中華人民共和國環境影響評價法), failure to re-submit the environmental impact assessment report for approval regarding a major change to the project scale or the production techniques may lead to a fine of not less than 1.0% but not more than 5.0% of the total investment of the construction project and, as a result, we may be imposed a fine ranging between approximately RMB221,000 to RMB1.1 million and may also lead to an order requesting us to restore the relevant project to its original conditions. Our Directors are of the view that based on the confirmation, such non-compliance incident will not materially and adversely affect our financial conditions or results of operations. As a result, no provision had been made in our consolidated financial statements.	We had obtained a reply from Yingde Environmental Protection Bureau approving the environmental impact assessment to expand our annual processing capacity from 600 tonnes of tantalum ores and niobium ores to production capacity of 2,000 tonnes of pentoxide products on 30 November 2016. Our PRC Legal Advisers are of the view that, as the limitation period of two years for imposition of administration disciplinary measures in relation to this non-compliance has lapsed as at the Latest Practicable Date, our Group is unlikely to be imposed any fine or penalty in relation to this non-compliance. In the event that the relevant competent authorities impose any fines or penalties on us, our Controlling Shareholders agree to indemnify us for all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us due to our non-compliance.	We have internal control policies in connection with this non-compliance incident in place, including but not limited to: (i) a proposal must be submitted to our Board when we plan to expand the production capacity; (ii) our administrative and human resources department is responsible for, and our Board will oversee, the process of obtaining relevant environment assessment certificates; and (iii) our audit committee of the Board will be responsible for overseeing the implementation of relevant internal control measures. For general enhanced internal control measures to prevent recurrence of non-compliance incidences, please refer to the paragraph headed "Risk management and internal control" in this section.

The aforesaid non-compliance incidents did not involve any intentional misconduct or act of dishonesty or fraudulence on the part of our Directors. Our Directors are of the view, and the Sole Sponsor concurs, that such non-compliance incidents do not impugn the integrity and competency of our Directors under Rules 3.08 and 3.09 of the Listing Rules, or the suitability for **[REDACTED]** of our Company under Rule 8.04 of the Listing Rules, because: (i) we were unfamiliar with the relevant regulations and laws, and there was no intentional misconduct or act of dishonesty or fraudulence on the part of our Directors in connection with such non-compliance incidents; (ii) we have worked with the relevant competent authorities and have considered the feedback from them with the intention to obtain valid titles to the relevant land and buildings as soon as practicable, as well as comply with applicable environmental laws and regulations, and we had obtained a reply from Yingde Environmental Protection Bureau approving the environmental impact assessment to expand our annual processing capacity from 600 tonnes of tantalum ores and niobium ores to production capacity of 2,000 tonnes of pentoxide products on 30 November 2016; (iii) no fines, penalties or administrative sanctions have been imposed on us based on the confirmation letters we received from the relevant competent authorities; (iv) we have adopted the rectification and preventative measures to rectify the status and to prevent the recurrence of any such non-compliance incidents; and (v) we have implemented enhanced internal control procedures regarding the non-compliance incidents.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the **[REDACTED]** and Capitalisation Issue, and without taking into account any Share which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme, Jiawei Resources Seychelles will hold approximately **[REDACTED]** of the issued share capital of our Company, where Jiawei Resources Seychelles is wholly owned by Mr. Wu. As Jiawei Resources Seychelles and Mr. Wu directly or indirectly are entitled to exercise or control the exercise of 30% or more of the voting power at our Company's general meeting, each of Jiawei Resources Seychelles and Mr. Wu is regarded as our Controlling Shareholder under the Listing Rules.

Jiawei Resources Seychelles is an investment holding company as at the Latest Practicable Date and Mr. Wu was its sole director. Mr. Wu is the founder of our Group, the chairman of our Board, an executive Director and our chief executive officer. For details of Mr. Wu's background and experience, please refer to the paragraph headed "Directors and Senior Management — Directors — Executive Directors" in this document.

Each of our Controlling Shareholders, Directors and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

Interest in other businesses held by Mr. Wu as at the Latest Practicable Date

As at the Latest Practicable Date, Mr. Wu had interests in some investment holding companies and the following company (collectively, the "**Other Businesses**"):

Guangdong Jiana

Guangdong Jiana is a limited liability company established in the PRC on 24 October 2003. As at the Latest Practicable Date, the entire equity interest in Guangdong Jiana was held by Guangdong Dows, a company listed on the Shenzhen Stock Exchange. Mr. Wu held the entire equity interest in Guangdong Yuanwei, which in turn held approximately 8.34% of the issued share capital of Guangdong Dows. As at the Latest Practicable Date, to the best knowledge of our Directors, Guangdong Jiana and its subsidiaries were principally engaged in the production and trading of various metallurgical products other than tantalum- and niobium-based metallurgical products, investment, and new energy resources.

As at the Latest Practicable Date, Mr. Wu is the chairman of the board of directors of Guangdong Jiana. Other than Mr. Wu, the board of directors of Guangdong Jiana consists of four directors. Mr. Wu confirmed that he is only responsible for the strategic development and human resources of Guangdong Jiana and he does not participate in the day-to-day management and administrative matters of Guangdong Jiana and its subsidiaries.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors confirm that: (i) as at the Latest Practicable Date, the Other Businesses are outside the principal scope of business of our Group, which is the production and sale of tantalum- and niobium-based metallurgical products, and does not compete with our business, and we do not depend on the Other Businesses with respect to supplies for our business operations; and (ii) we have our own management and operational staff and production facilities which are independent of the Other Businesses. In light of the foregoing, our Directors are of the view that there is a clear delineation between the businesses of our Group and the Other Businesses which does not compete with our Group's business. As such, our Directors believe it is inappropriate to include any part of the Other Businesses into our Group.

Mr. Wu confirmed that he does not and will not have on-going day-to-day executive duties in the Other Businesses. As a result, the Board is of the view that Mr. Wu is able to devote adequate time and attention to manage our Company as the chairman of our Board, chief executive officer and our executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of our Controlling Shareholders or Directors or senior management controls or conducts any business which competes, or is likely to compete, either directly or indirectly, with our business.

Management, operational, administrative and financial independence of our Group

Our Directors consider that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates based on the following particulars:

Management independence

Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Wu, the chairman of our Board, an executive Director and our chief executive officer, is one of our Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Save as disclosed, we have our senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the **[REDACTED]**.

Operational, administrative and financial independence

Our Group has our own independent administrative and corporate governance structure comprising separate individual departments, each with specific areas of responsibilities, including financial and accounting management, business development. During the Track Record Period, our Group was operationally and administratively independent of our Controlling Shareholders and their associates as we have our own operational personnel and administrative personnel. Our Board believes that we have been operating independently from our Controlling Shareholders and their associates and will continue to do so after **[REDACTED]**.

Although our Group had certain transactions with associates of one of our Controlling Shareholders during the Track Record Period in relation to tenancy agreements, we make business decisions independently and have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders. We do not rely on our Controlling Shareholders for access to suppliers and customers, as we manage our sourcing independently to whom we have independent access. Save as the tenancy agreements disclosed in the section headed "Connected Transactions" in this document, our Directors currently do not expect there will be other transactions between our Group and our Controlling Shareholders following **[REDACTED]**.

During the Track Record Period, certain bank borrowings were secured/guaranteed by personal guarantee of Mr. Wu, our Controlling Shareholder and his close associates, and/or corporate guarantee of MACRO-LINK Holding, one of our substantial Shareholders upon **[REDACTED]**. For further details of the guarantees, please refer to paragraph headed "Financial Information — Related party transactions" in this document and note 23 and 28 to the Accountants' Report in Appendix I to this document. As at 30 April 2019, all the guarantees provided by MACRO-LINK Holding were released. Our Directors confirm that all the guarantees provided by Mr. Wu and his close associates will be released before **[REDACTED]** and we will not rely on our Controlling Shareholders for financing after **[REDACTED]**. Our Directors confirmed that, save as disclosed in this document, our Controlling Shareholders have not provided any guarantees, loans or pledges in favour of our Group during the Track Record Period and up to the Latest Practicable Date.

Save as the above, our source of funding is independent from our Controlling Shareholders and neither our Controlling Shareholders nor its respective associates had financed our operations during the Track Record Period. Our Directors also believe that we are able to obtain financing independently from our Controlling Shareholders. During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems.

Based on the above, our Directors believe that our Group's business operation does not rely on our Controlling Shareholders and our Group is capable of operating independently without financial reliance on our Controlling Shareholders.

NON-COMPETITION

Undertakings given by Controlling Shareholders

Each of our Controlling Shareholders (namely Jiawei Resources Seychelles and Mr. Wu) has confirmed that, save as disclosed in this document, none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our

business. To protect our Group from any potential competition, each of our Controlling Shareholders has given an unconditional and irrevocable Non-competition Undertaking in favour of our Company (for itself and for the benefits of its subsidiaries) on [●] 2019, pursuant to which each of our Controlling Shareholders has, among other matters, unconditionally and irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates and/or companies controlled by them (other than our Group):

(i) not, directly or indirectly, be interested or involved or engaged in or carry on or concern with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to production and sale of tantalum- and niobium-based metallurgical products) in the PRC and any other country or jurisdiction to which our Group carries on such businesses and/or in which any member of our Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**");

(ii) not solicit any existing employee or then existing employee of our Group for employment by it/him or its/his associates (excluding our Group);

(iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his knowledge in its/his capacity as our Controlling Shareholders or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;

(iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;

(v) not invest or participate in or carry on any project or business opportunity of the Restricted Activity; and

(vi) procure its/his associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity, unless pursuant to the exception set out below.

The above undertakings are subject to the exceptions that:

(i) any of the associates of our Controlling Shareholders (excluding our Group) is entitled to invest, participate and be engaged in or carry on any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the independent non-executive Directors), confirmed its rejection in writing to be involved or engaged, or to participate or carry on, in the relevant Restricted Activity and provided also that the principal

terms on which that relevant associate of our Controlling Shareholders invests, participates or engages in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant associate of our Controlling Shareholders decides to be involved, engaged, participate in or carry on the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement, participation or carrying on must be disclosed to our Company and our Directors as soon as practicable; and

(ii) each of our Controlling Shareholders may either by himself/itself individually or through his/its close associate(s) hold and/or be interested in any shares or other securities in any listed company which engages or is involved in any business or activity which directly or indirectly competes with the Restricted Activity, provided that (i) the total shareholding held by our Controlling Shareholders and their respective close associates in such listed company, whether directly or indirectly, do not, in aggregate, exceed five per cent of the issued share capital of such listed company; (ii) our Controlling Shareholders and their respective close associates will not participate in or be otherwise involved in the management of that listed company; and (iii) the business or activity conducted or engaged in by such listed company which is in direct or indirect competition with the Restricted Activity accounts for less than 10% of that listed company's consolidated turnover or consolidated assets.

The Non-competition Undertaking is conditional on (i) the **[REDACTED]** granting **[REDACTED]** of, and permission to deal in, all our Shares in issue and to be issued under the **[REDACTED]** and our Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme; and (ii) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the **[REDACTED]**) and that the **[REDACTED]** not being terminated in accordance with its terms or otherwise.

For the above purpose, the "Relevant Period" means the period commencing from the **[REDACTED]** and shall expire on the earlier of the dates below:

(a) as for our Controlling Shareholders, the date on which our Controlling Shareholders and their associates (individually or taken as a whole) ceases to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be the controlling shareholders of our Company for the purpose of the Listing Rules; and

(b) the date on which our Shares cease to be **[REDACTED]** on the Stock Exchange.

Under the Non-competition Undertaking, each of our Controlling Shareholders has unconditionally and irrevocably undertaken to our Group to allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of each of our Controlling Shareholders and their respective associates to ensure compliance with the terms and conditions of the Non-competition Undertaking. Each of our Controlling Shareholders has unconditionally and irrevocably undertaken under the Non-competition Undertaking that he or it shall provide to us and our Directors (including our independent non-executive Directors) from time to time all information necessary for the annual review by our independent non-executive Directors with regard to compliance with the terms of the Non-competition Undertaking by our Controlling Shareholders. Each of our Controlling Shareholders

has also unconditionally and irrevocably undertaken to make an annual declaration as to full compliance with the terms of the Non-competition Undertaking and a consent to disclose such letter in our annual report.

Corporate Governance Measures

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Non-competition Undertaking, we have adopted the following corporate governance measures:

(i) our independent non-executive Directors shall review, at least on an annual basis, compliance and enforcement of the terms of the Non-competition Undertaking by our Controlling Shareholders;

(ii) we will disclose any decisions on matters reviewed by our independent non-executive Directors on whether to accept the business opportunity referred by our Controlling Shareholders either through our annual report or by way of announcement;

(iii) we will disclose in the corporate governance report of our annual report on how the terms of the Non-competition Undertaking have been complied with and enforced; and

(iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-competition Undertaking, he may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

ONE-OFF TRANSACTIONS ENTERED INTO BEFORE [REDACTED] WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTIONS

During the Track Record Period and prior to **[REDACTED]**, we entered into the following transactions with Mr. Wu Pingfang and Jiawei Resources Limited, each being a connected person (as defined under the Listing Rules) of our Company after the **[REDACTED]**. These transactions are accounted as one-off in nature under HKFRS 16. If these transactions were entered into after **[REDACTED]**, such transactions would constitute connected transactions under Chapter 14A of the Listing Rules. Details of such transactions are set out below:

PRC Tenancy Agreements

During the Track Record Period, Zhiyuan New Material leased certain units in the PRC from Mr. Wu Pingfang for use as offices of our Group, and entered into the following tenancy agreements ("**PRC Tenancy Agreements**"):

Date of the PRC Tenancy Agreements:	15 November 2018
Premises ("**PRC Office Premises**"):	Rooms 1903–1906, Building 3, Baoli Daduhui, No. 290 Hanxi Avenue East, Zhongcun Street, Panyu District, Guangzhou City, Guangdong Province, China (中國廣東省廣州市番禺區鐘村街漢溪大道東290號保利大都匯3棟辦公樓1903至1906房)
Term:	From 15 November 2018 to 31 December 2022
Total gross area:	Approximately 643 sq.m.
Total monthly rent:	From 15 November 2018 to 31 December 2018: nil From 1 January 2019 to 31 December 2020: RMB83,537 From 1 January 2021 to 31 December 2022: RMB90,219

The PRC Tenancy Agreements commenced on 15 November 2018. The total rent paid by our Group to Mr. Wu Pingfang for the leasing of the PRC Office Premises pursuant to the PRC Tenancy Agreements were nil and RMB334,148 for FY2018 and 4M2019, respectively.

For each of the years ending 31 December 2019, 2020, 2021 and 2022, the total rent payable by our Group to Mr. Wu Pingfang for the leasing of the PRC Office Premises pursuant to the PRC Tenancy Agreements will be RMB1,002,444, RMB1,002,444, RMB1,082,628 and RMB1,082,628, respectively.

The rents payable under the PRC Tenancy Agreements have been determined after arm's length negotiations between the parties thereto with reference to the prevailing market rates in respect of similar premises in the vicinity.

HK Tenancy Agreement

On 16 June 2019, Xite Hong Kong leased a unit in Hong Kong from Jiawei Resources Limited for use as workshop of our Group, and entered into the following tenancy agreement ("**HK Tenancy Agreement**"):

Date of the HK Tenancy Agreement:	16 June 2019
Premises ("**HK Workshop Premises**"):	Workshop E, 7th Floor, Derrick Industrial Building, No. 49 Wong Chuk Hang Road, Hong Kong
Term:	From 16 June 2019 to 15 July 2021
Total gross area:	1,979 square feet
Total monthly rent:	From 16 June 2019 to 15 July 2019: nil From 16 July 2019 to 15 July 2021: HK$35,000

The HK Tenancy Agreement commenced on 16 June 2019. For each of the years ending 31 December 2019, 2020 and 2021, the total rent payable by our Group to Jiawei Resources Limited for the leasing of the HK Workshop Premises pursuant to the HK Tenancy Agreements will be HK$245,000, HK$420,000 and HK$210,000, respectively.

The rents payable under the HK Tenancy Agreement have been determined after arm's length negotiations between the parties thereto with reference to the prevailing market rates in respect of similar premises in the vicinity.

Accounting treatment of the PRC Tenancy Agreements and the HK Tenancy Agreement

Our Group has consistently applied HKFRS 16 in the preparation of the financial information of our Group throughout the Track Record Period, pursuant to which, at the commencement date of a lease, our Group as lessee shall recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Accordingly, the lease transactions under the PRC Tenancy Agreements and the HK Tenancy Agreement would be regarded as acquisitions of assets by the tenant for the purpose of the Listing Rules.

Listing Rules implications

Mr. Wu Pingfang is a nephew of Mr. Wu, the founder of our Group, the chairman of our Board, chief executive officer, an executive Director and one of our Controlling Shareholders. As at the Latest Practicable Date, Jiawei Resources Limited was wholly owned by Mr. Wu, our chairman, chief executive officer, executive Director and one of our Controlling Shareholders. Therefore, each of Mr. Wu Pingfang and Jiawei Resources Limited is deemed to be a connected person of our Company pursuant to the Listing Rules.

CONNECTED TRANSACTIONS

Although the transactions contemplated under the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement were on-going as at the Latest Practicable Date, given the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement were entered into prior to **[REDACTED]** and the transactions thereunder are one-off in nature, these transactions (including further payments to be made by us pursuant to the terms of the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement) will not be classified as notifiable transactions under Chapter 14 of the Listing Rules or connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, and will not be subject to any of the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. In the event that there are any material changes to the terms and conditions of any of the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement (including any increase in the total rent payable by our Group under any of the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement as disclosed in this document), we shall comply with Chapters 14 and 14A of the Listing Rules (as the case may be) in respect of such agreement(s) (as amended) as and when appropriate, including, where required, seeking independent Shareholders' approval prior to effecting such changes. In the event where we enter into further tenancy agreements with any of the counterparty of the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement, we shall also comply with Chapters 14 and 14A of the Listing Rules (as the case may be) as and when appropriate.

DIRECTORS

Our Board currently consists of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The table below sets out certain information in respect of the members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s) and our senior management
Mr. Wu Lijue (吳理覺)	55	9 May 2006	26 May 2017	Chairman, executive Director and chief executive officer	Responsible for our Group's strategic planning, overall operation, financing and investment activities, and management of our Board	Uncle of Ms. Wu Shuangzhu, the audit director of our Group
Ms. Wu Shandan (吳珊丹)	36	1 January 2014	26 May 2017	Executive Director and chief financial officer	Responsible for our Group's financial matters	None
Mr. Zeng Min (曾敏)	56	12 May 2011	26 May 2017	Non-executive Director	Participating in the decision making of our Board with respect to major issues of our Group	None
Mr. Lau Kwok Fai Patrick (劉國煇)	46	[●]	[●]	Independent non-executive Director	Supervising and providing independent opinion and judgment to our Board	None
Mr. Zhong Hui (鐘暉)	52	[●]	[●]	Independent non-executive Director	Supervising and providing independent opinion and judgment to our Board	None
Mr. Yin Fusheng (尹福生)	55	[●]	[●]	Independent non-executive Director	Supervising and providing independent opinion and judgment to our Board	None

Executive Directors

Mr. Wu Lijue (吳理覺), aged 55, is the founder of our Group, the chairman of our Board, an executive Director, our chief executive officer and one of our Controlling Shareholders. He is currently responsible for our Group's strategic planning, overall operation, financing and investment activities, and management of our Board. Mr. Wu is the uncle of Ms. Wu Shuangzhu, the audit director of our Group. Mr. Wu established our Group in May 2006 and has been the chairman of the board of Zhiyuan New Material since its establishment. Mr. Wu obtained his bachelor's degree from Central South University (中南大學) (formerly known as Central South Institute of Mining and Metallurgy* (中南礦冶學院) before merger) majoring in powder metallurgy in July 1984. He also obtained his executive master of business and administration degree from Sun Yat-sen University (中山大學) in June 2011. He obtained the qualification of senior engineer from the China Non-ferrous Metals Industry Corporation* (中國有色金屬工業總公司) in December 1997.

Mr. Wu has over 30 years of experience in the tantalum and niobium metallurgy industry. Prior to founding our Group, Mr. Wu served in Guangdong Guangsheng Rare Metal Photoelectric New Material Co. Ltd.* (廣東廣晟稀有金屬光電新材料有限公司) (formerly known as Conghua Tantalum and Niobium Smelter* (從化鉭鈮冶煉廠)), a company which was principally engaged in production and

sale of tantalum- and niobium-based metallurgical products, as (i) technologist from September 1984 to April 1989 mainly responsible for production and technical work; (ii) section chief of production department from May 1989 to September 1989 responsible for all kinds of works in a section of the production department; and (iii) deputy manager from October 1989 to December 2000 mainly responsible for the operation management and strategic planning. Mr. Wu founded Fogang Jiata in January 2000, a company which was principally engaged in production and trading of tantalum- and niobium-based metallurgical products. He served as the general manager and the chairman of Fogang Jiata between January 2001 and April 2006 and was mainly responsible for overall operation management and strategic planning.

Immediately following completion of the Capitalisation Issue and the **[REDACTED]** and not taking into account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the **[REDACTED]**, Mr. Wu will be interested in **[REDACTED]** Shares within the meaning of Part XV of the SFO, all of which will be held by Jiawei Resources Seychelles, which was wholly owned by Mr. Wu.

Ms. Wu Shandan (吳珊丹), aged 36, joined our Group in January 2014 as the chief financial officer of Zhiyuan New Material. She was appointed as a Director on 26 May 2017, and was re-designated as an executive Director and appointed as the chief financial officer of our Company on 8 September 2017. She is mainly responsible for managing our Group's financial matters. Ms. Wu graduated from South China University of Technology (華南理工大學) majoring in accounting (an online learning programme) in July 2009. In October 2018 and December 2018, Ms. Wu was awarded the Executive Management Career Award — Financial Management (Higher Professional Module Certificate with Merit) and Financial Analysis (Higher Professional Module Certificate with Distinction) by Cambridge Assessment International Education and by Cambridge International Examinations, respectively. Ms. Wu attained the directorate secretary qualification from the Shenzhen Stock Exchange in December 2016 and from the Shanghai Stock Exchange in November 2018.

Ms. Wu has over 10 years of experience in financial management. Prior to joining our Group, she was the financial manager of Seraphim BVI, a company which was principally engaged in investment, from October 2007 to June 2016 and was mainly responsible for supervision of daily management of the finance department. Ms. Wu was admitted as an associate member of the Association of International Accountants in January 2019.

Non-executive Director

Mr. Zeng Min (曾敏), aged 56, joined our Group in May 2011 as a director of Zhiyuan New Material. He was appointed as a Director on 26 May 2017 and was re-designated as an executive Director and a non-executive Director on 8 September 2017 and 6 August 2019, respectively. He participates in the decision making of our Board with respect to major issues of our Group. Mr. Zeng obtained his bachelor's degree in metalworking from Central South University (中南大學) (formerly known as Central South Institute of Mining and Metallurgy* (中南礦冶學院) before merger) in July 1983.

Prior to joining of our Group, Mr. Zeng served in MACRO-LINK Mineral Inc.* (新華聯礦業有限公司) as chairman from May 2006 to January 2009. Mr. Zeng served in Tonghua Winery Co., Ltd.* (通化葡萄酒股份有限公司), a company which was principally engaged in the sale of wine and whose shares are listed on the Shanghai Stock Exchange (stock code: 600365), as general manager from

January 2009 to September 2009. Mr. Zeng returned and served in MACRO-LINK Mineral Inc.* as general manager from September 2009 to October 2013 and has been its chairman since October 2013, respectively.

Independent non-executive Directors

Mr. Lau Kwok Fai Patrick (劉國煇), *HKICPA, FCCA*, aged 46, was appointed as an independent non-executive Director on [●]. Mr. Lau obtained an honours diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He later obtained a master's degree in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014. He also obtained his HKICPA Diploma in Insolvency awarded by the Hong Kong Institute of Certified Public Accountants in June 2004. Mr. Lau has been a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since December 2007 and July 2003, respectively. He has also been a member of Beta Gamma Sigma Hong Kong Baptist University Chapter since April 2014.

Mr. Lau has more than 20 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. He served as an auditor in Baker Tilly Hong Kong (formerly known as Glass Radcliffe Chan & Wee Certified Public Accountants) from September 1996 to November 1997 mainly responsible for statutory audit. From December 1997 to April 1999, Mr. Lau served as an associate in PricewaterhouseCoopers Ltd. and was mainly responsible for statutory audit, internal control review and enterprise listing audit. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager, mainly responsible for financial due diligence, corporate reorganisation and liquidation, analysis for corporate acquisitions, financial modeling and consultation services. From July 2011 to June 2016, Mr. Lau served in various positions, including deputy general manager, financial controller and company secretary in China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), the shares of which are listed on the Main Board of the Stock Exchange in December 2013 (stock code: 1522).

Mr. Lau has been the chief financial officer and company secretary of International Alliance Financial Leasing Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1563) since July 2016 and May 2018, respectively, an independent non-executive director of Kakiko Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2225) since September 2017 and Dafy Holdings Limited (formerly known as FDB Holdings Limited) (stock code: 1826) since January 2018, the shares of which are listed on the Main Board of Stock Exchange.

Mr. Zhong Hui (鐘暉), aged 52, was appointed as an independent non-executive Director on [●]. Mr. Zhong graduated from Central South University of Technology (中南工業大學) (subsequently merged into Central South University (中南大學)) with science technology information major in June 1988 and a master's degree in non-ferrous metallurgy in May 1991. He graduated from Nagoya University of Japan (日本國立名古屋大學) with a doctor's degree in materials science and engineering in March 1995.

Mr. Zhong has over 20 years of experience in the research and development of the non-ferrous metal industry. Prior to joining our Group, Mr. Zhong worked at the research and development department in IBIDEN Co., Ltd. of Japan* (日本IBIDEN株式會社), a company which was principally

engaged in industrial production and research and development of technology, between April 1995 and June 2001. Mr. Zhong has been a professor of the College of Metallurgy and Environment, Central South University (中南大學冶金與環境學院) since July 2001.

Mr. Yin Fusheng (尹福生), aged 55, was appointed as an independent non-executive Director on [●]. Mr. Yin obtained his bachelor of laws degree majoring in political education from Central China Normal University (華中師範大學) in June 1987. He obtained his master's degree and doctor's degree in political economics from Wuhan University (武漢大學) in August 1993 and December 2004, respectively. Mr. Yin was appointed as a lecturer by Jinan University (暨南大學) in December 1995 and an associate professor in October 2016.

Mr. Yin has over 20 years of experience in finance and investment. He served in South China Securities Brokerage Co., Ltd.* (CIFCO) (華南期貨經紀有限公司) as a deputy general manager from September 1993 to July 2000 and was mainly responsible for market development and management. He then served as the chairman of the board of Shenzhen Anchengxin Investment Co., Ltd* (深圳市安誠信投資有限公司), a company which was principally engaged in investment in property and business, from July 2000 to June 2014 and was mainly responsible for overall management of the company. Mr. Yin has also served as (i) director of Changsha Juxing Light Weight Building Materials Co., Ltd.* (長沙巨星輕質建材股份有限公司), a company which was principally engaged in research and development of high-technology and manufacturing and sale of new construction material and decoration material, and the shares of which are quoted on the National Equities Exchange and Quotations in the PRC (stock code: 870281), from April 2001 to April 2015; (ii) director of Shanghai Xietong Technology Inc.* (上海協同科技股份有限公司), a company which was principally engaged in technology service and design, development, manufacturing, sale and service of electrical automation products, from March 2001 to April 2010; and (iii) director of Jiangxi Runtian Drinks Co., Ltd.* (江西潤田飲料股份有限公司), a company which was principally engaged in manufacturing and sale of beverages, from October 2001 to June 2013. Mr. Yin has been the chairman of the board of directors of Jiangxi Purui Biological Technology Co., Ltd.* (江西普鋭生物科技有限公司), a company which was principally engaged in research, development and application of precision immunity function assessment technology since December 2018, where Mr. Yin has been mainly responsible for overall business management.

Save as disclosed in this document, each of our Directors confirms with respect to himself/herself that: (i) he/she has not held any directorship in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of our Company; (iii) he/she does not hold any positions in our Company or other members of our Group; (iv) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO; (v) there is no other information that should be disclosed for him/her pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and (vi) there are no other matters that need to be brought to the attention of holders of securities of our Company.

SENIOR MANAGEMENT

The table below sets out certain information in respect of the members of our senior management:

Name	Age	Date of joining our Group	Date of appointment of senior management	Position	Roles and responsibilities	Relationship with other Director(s) and our senior management
Mr. Zhong Yuelian (鐘嶽聯)	51	4 January 2010	21 July 2017	Vice president	Responsible for the overall operation and management of Zhiyuan New Material	None
Mr. Shi Bo (石波)	46	15 May 2012	21 July 2017	Research and development director and assistant of the general manager	Responsible for the overall management of our Group's research and development	None
Ms. Wu Shuangzhu (吳雙珠)	35	21 July 2017	21 July 2017	Audit director	Responsible for our Group's internal control and audit supervision	Niece of Mr. Wu, our Chairman, executive Director, chief executive officer and one of our Controlling Shareholders

Mr. Zhong Yuelian (鐘嶽聯), aged 51, joined our Group in January 2010. He serves as vice president of our Group and is mainly responsible for overall operation and management of Zhiyuan New Material. Mr. Zhong obtained his bachelor's degree in physical chemistry of metallurgy from Central South University (中南大學) (formerly known as Central South University of Technology (中南工業大學) before merger) in July 1989, and completed his research programme specialising in world economy at Sun Yat-sen University (中山大學) in October 2004. He obtained the qualification of senior engineer of rare metal smelting* (稀有金屬冶煉高級工程師) from the Personnel Department of Guangdong Province* (廣東省人事廳) in December 2000.

Mr. Zhong has over 25 years of experience working in tantalum and niobium metallurgy industry. Prior to joining our Group, Mr. Zhong worked in Guangdong Guangsheng Rare Metal Photoelectric New Material Co. Ltd.* (廣東廣晟稀有金屬光電新材料有限公司) (formerly known as Conghua Tantalum and Niobium Smelter* (從化鉭鈮冶煉廠)) from August 1989 to May 2002, with his last position as the director and deputy general manager, mainly responsible for planning of high purity metallurgy projects and operation management. Mr. Zhong also served as deputy general manager in Fogang Jiata, a company which was then principally engaged in manufacturing of tantalum and niobium metal compound and products, from May 2005 to April 2007, and from February 2009 to December 2009 and was mainly responsible for project planning and production management, and deputy general manager in JMT MINING SPRL, from April 2007 to January 2009 and was mainly responsible for operation management and planning of copper projects, respectively.

Mr. Shi Bo (石波), aged 46, joined our Group in May 2012 as research and development manager of Zhiyuan New Material and he was promoted to be the research and development director of our Company in July 2017, and was further promoted as the assistant of the general manager of our Group in July 2019. He is primarily responsible for the overall management of our Group's research and development. Mr. Shi obtained his bachelor's degree in non-ferrous metallurgy from Central South University (中南大學)) (formerly known as Central South University of Technology (中南工業大學)) in July 1994. He also obtained his metallurgy engineer qualification from China Non-ferrous Metal Industry Co., Ltd. Guangzhou Branch Intermediate Technology Qualification Review Committee* (中國有色金屬工業總公司廣州公司中級技術職務評審委員會) in November 1999.

Mr. Shi has over 20 years of experience in the tantalum and niobium metallurgy industry. Prior to joining our Group, from August 1994 to August 2008, Mr. Shi served as workshop manager of Guangdong Guangsheng Rare Metal Photoelectric New Material Co. Ltd.* (廣東廣晟稀有金屬光電新材料有限公司) (formerly known as Conghua Tantalum and Niobium Smelter* (從化鉭鈮冶煉廠)) and was mainly responsible for production management.

Ms. Wu Shuangzhu (吳雙珠), aged 35, joined our Group in July 2017 as the audit director of our Group and is mainly responsible for our Group's internal control and audit supervision. She is a niece of Mr. Wu. Ms. Wu graduated from Guangzhou University majoring in accounting in January 2013.

Ms. Wu has over 15 years of experience in accounting and financial matters. Prior to joining our Group, Ms. Wu served as an accountant in Guangzhou City Jieda Trading Co., Ltd.* (廣州市捷大貿易有限公司), a company which was principally engaged in import and export trade of coatings, from June 2004 to April 2007, and was mainly responsible for accounting processing in the daily operation of the company, preparation of accounting statements and management of accounting files. She served as a finance manager of Guangdong Shidate Trading Co., Ltd.* (廣東時達特貿易有限公司), a company which was principally engaged in import and export trade of metallic ores, from May 2007 to June 2010 and she was mainly responsible for account processing, auditing and financial analysis of the company. She also served as an audit manager from July 2010 to July 2017 in Guangzhou Haipu Investment Co., Ltd.* (廣州海浦投資有限公司), a company which was principally engaged in property and investment management, and investment products of securities, futures and private equity, and was mainly responsible for internal control and audit supervision.

Each member of our senior management confirms with respect to himself/herself that he/she has not held any directorship in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Chan Hon Wan (陳漢雲), *HKICPA*, aged 58, graduated with a bachelor's degree in economics at Macquarie University 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 25 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. Mr. Chan held/holds positions in the following listed companies:

Period	Company name and stock code	Position
From September 2008 to April 2009	Freeman Corporation Limited (now known as Freeman Fintech Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 0279)	Company secretary
From April 2014 to March 2019 and from August 2019 up to the Latest Practicable Date	Zhejiang Chang'an Renheng Technology Co., Ltd.* (浙江長安仁恒科技股份有限公司), a company listed on GEM of the Stock Exchange (stock code: 8139)	Company secretary
From July 2018 up to the Latest Practicable Date	Narnia (Hong Kong) Group Company Limited, a company listed on GEM of the Stock Exchange (stock code: 8607)	Company secretary

BOARD COMMITTEES

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

Audit committee

We have established an audit committee on [●] with written terms of reference in compliance with Rule 3.21 of the Listing Rules.

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

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.

Remuneration committee

We have established a remuneration committee on [●] with written terms of reference in compliance with Rule 3.25 of the Listing Rules.

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

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

Nomination committee

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

Our nomination committee has three members, namely Mr. Wu, 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 is the founder of our Group, an executive Director, the chairman of our Board, our chief executive officer and one of our Controlling Shareholders. The chairman of our nomination committee is Mr. Wu.

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.

Corporate governance functions

The terms of reference of our Board include, among others, (i) developing and reviewing our Company's policies and practices on corporate governance and making recommendations to our Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring our Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) reviewing our Company's compliance with the code and disclosure in the corporate governance report.

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Mr. Wu is our chairman and also the chief executive officer of our Company and he has been managing our Group's business and supervising the overall operations of our Group since its establishment. Having considered (i) the nature and extent of our Group's operations; (ii) Mr. Wu's in-depth knowledge and

experience in the tantalum and niobium metallurgy industry and familiarity with the operations of our Group which is beneficial to the management and business development of our Group; and (iii) all major decisions are made in consultation with members of our Board and relevant Board committees, which consist of three independent non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Wu taking up both roles. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

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 Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates of our Directors will be based on a range of diversity perspectives, including but not limited to gender, age, cultural, race, educational background, professional experience, skills and knowledge. We aim to achieve a balanced composition of our Board by ensuring appropriate balance of diversity in various aspects, including gender diversity, so as to enable our Board to discharge its duties and responsibilities effectively.

Our nomination committee is responsible for the implementation of the Board Diversity Policy and compliance with relevant codes governing board diversity under the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our nomination committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISER

Our Company has appointed Cinda International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. According to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and

(iv) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the **[REDACTED]** and end on the date when our Company distributes its annual report in relation to its financial results for the first full financial year commencing after the **[REDACTED]** and such appointment may be subject to extension by mutual agreement.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration paid by us to our Directors, including salaries, allowances and contributions to retirement benefit scheme, was approximately RMB0.9 million, RMB1.0 million, RMB0.9 million and RMB0.3 million for FY2016, FY2017, FY2018 and 4M2019, respectively.

For FY2016, FY2017, FY2018 and 4M2019, the five individuals whose emoluments were the highest in our Group included two, two, one and one Directors, respectively. The aggregate amount of emoluments payable to the five highest paid individuals (including the Directors), including salaries, allowances and contributions to retirement benefit scheme, during FY2016, FY2017, FY2018 and 4M2019 was approximately RMB1.8 million, RMB2.0 million, RMB2.4 million and RMB1.1 million, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. None of our Directors has waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable by any of the members of our Group during the Track Record Period. Under the arrangements currently in force, we estimate that we will pay an aggregate amount of approximately RMB1.2 million to our Directors as remuneration in respect of the year ending 31 December 2019 (excluding any discretionary bonuses).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" in Appendix V to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of, as at the Latest Practicable Date and immediately following completion of the Capitalisation Issue and the **[REDACTED]** (and without taking into account Shares to be issued pursuant to the exercise of the **[REDACTED]** and any options to be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange (as the case may be) under provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

		As at the Latest Practicable Date		Immediately following completion of the Capitalisation Issue and the [REDACTED]	
Name of substantial shareholder	**Capacity**	**Number of Shares** *(Note 1)*	**Approximately percentage of shareholding (%)**	**Number of Shares** *(Note 1)*	**Approximate percentage of shareholding (%)**
Jiawei Resources Seychelles	Beneficial owner	7 (L)	70.0	**[REDACTED]**	**[REDACTED]**
Mr. Wu	Interest of controlled corporation	7 (L) *(Note 2)*	70.0	**[REDACTED]**	**[REDACTED]**
Ms. Ruan Xiaomei	Interest of spouse	7 (L) *(Note 2)*	70.0	**[REDACTED]**	**[REDACTED]**
MACRO-LINK Cayman	Beneficial owner	3 (L) *(Note 3)*	30.0	**[REDACTED]**	**[REDACTED]**
MACRO-LINK International	Interest in controlled corporation	3 (L) *(Note 3)*	30.0	**[REDACTED]**	**[REDACTED]**
MACRO-LINK Industrial	Interest in controlled corporation	3 (L) *(Note 3)*	30.0	**[REDACTED]**	**[REDACTED]**
MACRO-LINK Holding	Interest in controlled corporation	3 (L) *(Note 3)*	30.0	**[REDACTED]**	**[REDACTED]**
XiZang ChangShi	Interest in controlled corporation	3 (L) *(Note 3)*	30.0	**[REDACTED]**	**[REDACTED]**
Mr. Fu Kwan	Interest in controlled corporation	3 (L) *(Note 3)*	30.0	**[REDACTED]**	**[REDACTED]**
Ms. Wu Xiangming	Interest of spouse	3 (L) *(Note 4)*	30.0	**[REDACTED]**	**[REDACTED]**
Ms. Xiao Wenhui	Interest in controlled corporation	3 (L) *(Note 3)*	30.0	**[REDACTED]**	**[REDACTED]**
Mr. Chen Bin	Interest of spouse	3 (L) *(Note 5)*	30.0	**[REDACTED]**	**[REDACTED]**

Notes:

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

2. Ms. Ruan Xiaomei is the spouse of Mr. Wu. By virtue of the SFO, Ms. Ruan Xiaomei is deemed to be interested in all the Shares held by Mr. Wu.

3. As at the Latest Practicable Date, MACRO-LINK Cayman was owned by MACRO-LINK International as to approximately 96.33%, which was in turn wholly owned by MACRO-LINK Industrial, which was in turn wholly owned by MACRO-LINK Holding, which was in turn owned by, among others, XiZang ChangShi, Mr. Fu Kwan and Ms. Xiao Wenhui as to approximately 93.40%, 2.83% and 0.11%, respectively. As at the Latest Practicable Date, XiZang ChangShi was owned by, among others, Mr. Fu Kwan and Ms. Xiao Wenhui as to approximately 59.76% and 33.46%, respectively.

4. Ms. Wu Xiangming is the spouse of Mr. Fu Kwan. By virtue of the SFO, Ms. Wu Xiangming is deemed to be interested in all the Shares held by Mr. Fu Kwan.

5. Mr. Chen Bin is the spouse of Ms. Xiao Wenhui. By virtue of the SFO, Mr. Chen Bin is deemed to be interested in all the Shares held by Ms. Xiao Wenhui.

Save as disclosed herein and in the paragraph headed "Further information about Directors, substantial shareholders and experts — 10. Directors — (d) Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the **[REDACTED]**" in Appendix V to this document, our Directors are not aware of any persons who will, as at the Latest Practicable Date and immediately upon **[REDACTED]** (but without taking into account Shares to be issued pursuant to the exercise of the **[REDACTED]** and any options to be granted under the Share Option Scheme), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange (as the case may be) under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SHARE CAPITAL

Assuming the **[REDACTED]** is not exercised (and without taking into account of Shares to be issued and allotted pursuant to the exercise of any options to be granted under the Share Option Scheme), the authorised and issued share capital of our Company will be as follows:

Authorised

		HK$
[1,000,000,000]	Shares	[10,000,000]

Issued and to be issued, fully paid or credited as fully paid:

10	Shares in issue as at the date of this document	0.1
[REDACTED]	Shares to be issued under the Capitalisation Issue	**[REDACTED]**
[REDACTED]	Share to be issued under the **[REDACTED]** (excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]**)	**[REDACTED]**
[REDACTED]	Shares in issue immediately upon **[REDACTED]**	**[REDACTED]**

Assuming the **[REDACTED]** is exercised (but without taking into account of Share to be issued and allotted pursuant to the exercise of any options that may be granted under Share Option Scheme), the authorised and issued share capital of our Company will be as follows:

Authorised

		HK$
[1,000,000,000]	Shares	[10,000,000]

Issued and to be issued, fully paid or credited as fully paid:

10	Shares in issue as at the date of this document	0.1
[REDACTED]	Shares to be issued under the Capitalisation Issue	**[REDACTED]**
[REDACTED]	Share to be issued under the **[REDACTED]** (excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]**)	**[REDACTED]**
[REDACTED]	Shares to be issued upon exercise of the **[REDACTED]** in full	**[REDACTED]**
[REDACTED]	Shares in issue immediately upon **[REDACTED]**	**[REDACTED]**

ASSUMPTIONS

The above tables assume that the **[REDACTED]** becomes unconditional and the issue of Shares pursuant thereto is made as described therein.

The above tables, however, take no account of any Shares which may be issued and allotted by our Company pursuant to the **[REDACTED]** or the exercise of any options that may be granted under the Share Option Scheme and of any Shares which may be issued and allotted or repurchased by our Company under the general mandates for the issue and allotment or repurchase of Shares granted to our Directors as referred to below.

The minimum level of public float to be maintained by our Company after **[REDACTED]** is 25% of the issued capital of our Company.

RANKING

The **[REDACTED]** and our Shares that may be issued pursuant to the exercise of the **[REDACTED]** or the exercise of any options which may be granted under the Share Option Scheme will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this document, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on our Shares after the date of this document save for entitlements under the Capitalisation Issue.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of our Articles, our Company may from time to time by ordinary resolution of our Shareholders (1) increase our capital; (2) consolidate and divide our capital into Shares of larger amount; (3) divided our Shares into several classes; (4) subdivide our Shares into Shares of smaller amount; and (5) cancel any Shares which have not been taken. In addition, our Company may subject to the Companies Law reduce our share capital or capital redemption reserve by our Shareholders passing a special resolution. For further details, please refer to the paragraph headed "2. Articles of Association — (iii) Alteration of capital" in Appendix IV to this document.

Pursuant to the Companies Law and the terms of our Articles, all or any of the special rights attached to our Shares or class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For further details, please refer to the paragraph headed "2. Articles of Association — (ii) Variation of rights of existing shares or classes of shares" in Appendix IV to this document.

Other than the circumstances above, certain corporate actions may require the approval of our Shareholders, which would be obtained in a general meeting. For further details, please refer to the paragraph headed "2. Articles of Association" in Appendix IV to this document.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on [●]. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the **[REDACTED]**. Further details of the rules of the Share Option Scheme are set out in the paragraph headed "Other information — 12. Share Option Scheme" in Appendix V to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to issue, allot and deal with Shares with a total nominal value of not more than the sum of:

i. 20% of the aggregate nominal value of our share capital in issue immediately following completion of the **[REDACTED]** but excluding any Shares that may fall to be issued under the **[REDACTED]** or the exercise of any options which may be granted under the Share options Scheme; and

ii. the aggregate nominal value of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as referred to below).

The issue and allotment of Shares under a rights issue or pursuant to the exercise of any subscription rights, warrants which may be issued by our Company from time to time, scrip dividend scheme or similar arrangement providing for the issue and allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or on the exercise of the **[REDACTED]** or options granted under the Share Option Scheme do not generally require the approval of shareholders of our Company in general meeting and the aggregate nominal amount of Shares which our Directors are authorised to allot and issue pursuant to this mandate will not be reduced by the issue and allotment of such Shares.

This mandate will expire at:

— the conclusion of our next annual general meeting;

— the expiration of the period within our next general meeting is required by the Articles or any applicable laws to be held; and

— the date on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "Further information about our Group — 3. Resolutions of our Shareholders" in Appendix V to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following completion of the **[REDACTED]**, but excluding Shares that may fall to be issued under the **[REDACTED]** or under the Share Option Scheme. This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are **[REDACTED]** (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in

accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Further information about our Group — 6. Repurchase by our Company of our own securities" in Appendix V to this document.

This mandate will expire at:

— the conclusion of our next general meeting;

— the expiration of the period without which our next annual meeting is required by the Articles or any applicable laws to be held; and

— the date on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "Further information about our Group — 3. Resolutions of our Shareholders" in Appendix V to this document.

You should read this section in conjunction with our audited consolidated financial statements as at and for FY2016, FY2017, FY2018 and 4M2019 as set out in the Accountants' Report, together with the accompanying notes. The Accountants' Report has been prepared in accordance with HKFRSs. You should read the entire Accountants' Report in its entirety and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements" in this document

OVERVIEW

We are a producer of tantalum- and niobium-based metallurgical products in China. Our principal products are tantalum pentoxide and niobium pentoxide. We also produce and sell potassium heptafluorotantalate. We process our products into varying purity levels and specifications in order to meet the requirements for different end products. In addition, we sell processed products such as tantalum bars, tantalum carbide, niobium bars and niobium powder, which are produced by engaging third-party metallurgy companies to process the pentoxide products and potassium heptafluorotantalate we produce, or purchased from third-party metallurgy companies. Moreover, we provide services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate.

We commenced the construction of four new production lines for pentoxide products on our existing production plant in 2017, and expanded our estimated annual production capacity of pentoxide products from approximately 804 tonnes as at 31 December 2017 to approximately 1,282.5 tonnes as at 31 December 2018. Our total actual production volume of pentoxide products increased from approximately 771.6 tonnes for FY2016 to approximately 922.5 tonnes for FY2017 and further increased to approximately 1,121.5 tonnes for FY2018. The expansion of our production facility enabled us to increase our production volume in support of the increase of our sales volume. In addition, despite our estimated production capacity of potassium heptafluorotantalate remained stable at approximately 207 tonnes as at 31 December 2016, 31 December 2017 and 31 December 2018, we increased our utilisation rate during FY2018. As a result, our actual total production volume of potassium heptafluorotantalate remained stable at approximately 107.3 tonnes and 108.5 tonnes for FY2016 and FY2017, respectively, and increased to approximately 199.5 tonnes for FY2018. Our total production volume of pentoxide products and potassium heptafluorotantalate accounted for approximately 30.0%, 31.5% and 35.8% of the market share in China for FY2016, FY2017 and FY2018, respectively.

Our revenue increased from approximately RMB217.4 million for FY2016 to approximately RMB307.4 million for FY2017, and further increased to approximately RMB514.7 million for FY2018. For 4M2019, our revenue amounted to approximately RMB203.8 million, representing an increase of approximately RMB66.2 million from approximately RMB137.6 million for 4M2018. Our net profits from continuing operations increased from approximately RMB24.7 million for FY2016 to approximately RMB38.6 million for FY2017 and further increased to approximately RMB77.1 million for FY2018. For 4M2019, our net profits from continuing operations amounted to approximately RMB25.7 million, representing an increase of approximately RMB2.1 million from approximately RMB23.6 million for 4M2018.

BASIS OF PRESENTATION

Our Company is a limited liability company incorporated in the Cayman Islands on 26 May 2017. Pursuant to the Reorganisation, which was completed on 31 August 2017, our Company became the holding company of the companies now comprising our Group. For further details, please refer to the section headed "History, Reorganisation and Corporate Structure" in this document.

The companies now comprising our Group were under the control of Mr. Wu, being our Controlling Shareholder, before and after the Reorganisation. Accordingly, the financial information for FY2016, FY2017, FY2018, 4M2018 and 4M2019 has been presented as a continuation of the existing group and the historical financial information is prepared as if the current group structure had been in existence throughout the Track Record Period.

The financial information has been prepared in accordance with HKFRSs. These principles have been consistently applied throughout the Track Record Period.

The historical financial information has been prepared under the historical cost conversion, except for derivative financial instruments, which have been measured at fair value.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF CONTINUING OPERATIONS

Our results of operations, financial condition and future prospects have been, and will continue to be, affected by a number of factors, which primarily include the following:

General economic conditions

We derived a majority of our revenue from our customers in the PRC during the Track Record Period. For FY2016, FY2017, FY2018 and 4M2019, our revenue from our customers in the PRC accounted for approximately 80.0%, 84.8%, 89.9% and 91.0% of our total revenue, respectively. Accordingly, the PRC's economic conditions have a direct impact on our business and the demand for our products. In addition, the PRC Government may from time to time adjust its monetary, financial, fiscal or industry policies. Any adjustment in or implementation of economic policies and measures would also directly or indirectly affect our results of operations and financial condition. In addition, the growth of the global economy and the growth of certain relevant industries, including the metallurgy industry, in the overseas markets may impact our business and financial performance in the future as

well. For the associated risk, please refer to the paragraph headed "Risk Factors — risks relating to our business and industry — Our sales are dependent, among other things, on the conditions of the global and PRC economy" in this document.

Competition

According to the CIC Report, the PRC tantalum- and niobium-based hydrometallurgical products market is competitive and relatively concentrated, with around 15 market players and the top five players accounting for 82.9% of the market share in terms of production volume for sale of products in 2018. We were the largest producer of tantalum and niobium hydrometallurgical products in China for FY2016, FY2017 and FY2018 in terms of total annual production volume. As such, we believe there are significant entry barriers for new participants and our position as the largest producer of tantalum and niobium hydrometallurgical products in China provides us with a competitive advantage. For details, please refer to the paragraphs headed "Business — Our competitive strengths — We are the largest producer of tantalum and niobium hydrometallurgical products in China" and "Business — Market and Competition" in this document.

However, if we cannot provide products with quality meeting the requirements of our customers at a competitive price, increase our production capacity to fulfil our orders and focus on sales and marketing activities, our customers may not continue to purchase our products and our results of operations and financial position will be adversely affected.

Production capacity

Our results of operations and financial condition are affected by our production capacity of pentoxide products and potassium heptafluorotantalate. We commenced the construction of four new production lines for pentoxide products on our existing production plant in 2017, and expanded our estimated annual production capacity of pentoxide products from approximately 804 tonnes as at 31 December 2017 to approximately 1,282.5 tonnes as at 31 December 2018. Our estimated production capacity of potassium heptafluorotantalate remained stable at approximately 207 tonnes as at 31 December 2016, 31 December 2017 and 31 December 2018. For FY2018, the utilisation rates of our production lines for pentoxide products and potassium heptafluorotantalate were approximately 87.4% and 96.4%, respectively. For details of the expansion of our production facilities, please refer to the paragraph headed "Business — Production facilities" in this document. If we are unable to increase our production capacity, we may not be able to meet customers' demands and lose market share. Additionally, we may not be able to achieve further growth of our revenue.

We plan to build and set up new production facilities to produce downstream tantalum-based products, such as tantalum powder and tantalum bars, which will be financed by the **[REDACTED]** from the **[REDACTED]**. For details, please refer to the paragraph headed "Business — Our business strategies — Extend our production and sales to downstream products" in this document.

Prices of raw materials

Tantalum ores and niobium ores are the principal raw materials that we use to produce our products.

For FY2016, FY2017, FY2018, 4M2018 and 4M2019, our purchase of tantalum ores and niobium ores amounted to approximately RMB126.8 million, RMB221.0 million, RMB373.8 million, RMB133.0 million and RMB74.8 million, respectively, representing approximately 84.8%, 87.8%, 85.4%, 88.6% and 87.5% of our total purchase for the same years/periods, respectively. In addition, raw materials costs constituted a significant portion of our cost of sales during the Track Record Period. For FY2016, FY2017, FY2018, 4M2018 and 4M2019, our raw materials costs amounted to approximately RMB147.2 million, RMB196.5 million, RMB322.7 million, RMB88.8 million and RMB136.6 million, respectively, representing approximately 88.9%, 89.3%, 92.3%, 92.9% and 89.7% of our costs of sales for the same years/periods, respectively. As such, any significant movement in the prices of tantalum ores and niobium ores could impact our cost of sales if we cannot pass the costs increase to our customers and would adversely affect our profitability. For details, please refer to the paragraph headed "Risk Factors — We may experience fluctuation or changes in price, availability and quality of raw material" in this document.

The following table sets forth a sensitivity analysis on our raw materials costs in relation to tantalum ores and niobium ores during the Track Record Period is set forth below, which illustrates the hypothetical effects on our net profit with a 5%, 10%, 15%, 20%, 25%, 30% and 35% increase or decrease in our raw materials costs, representing the maximum fluctuation in our raw materials costs.

	Change in our net profit for change in raw materials costs of						
	+/–5%	+/–10%	+/–15%	+/–20%	+/–25%	+/–30%	+/–35%
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FY2016	5,471	10,946	16,422	21,898	27,374	32,849	38,325
FY2017	6,829	13,658	20,487	27,316	34,145	40,974	47,803
FY2018	11,941	23,881	35,882	47,762	59,703	71,643	83,584
4M2019	4,947	9,894	14,841	19,788	24,736	29,683	34,630

Fluctuations in foreign exchange rates

As our sales were primarily denominated in RMB whereas our purchases of tantalum ores and niobium ores were primarily denominated in USD, we were exposed to exchange rate risk. For the associated risk, please refer to the paragraph headed "Risk Factors — Our sales were primarily denominated in RMB whereas our purchases of tantalum ores and niobium ores were primarily denominated in USD. Fluctuations on exchange rates between RMB and USD may have a material and adverse impact on our financial condition and profitability" in this document.

The amount of sales and purchases during the Track Record Period which were made in USD is as follows:

	FY2016	FY2017	FY2018	4M2018	4M2019
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Revenue	43,543	46,857	51,891	9,975	18,375
Purchase	119,908	170,844	325,612	108,861	67,717

The following analysis is for illustration purposes only and does not take into account the potential adjustments to the selling price of our products as a result of the change in the foreign currency exchange rates. The sensitivity analysis below sets out the sensitivity of our revenue, cost of sales and net profit during the Track Record Period with reference to movements in the annual average exchange rate of the USD against the RMB. The movement of average exchange rate of the USD against the RMB used in the below analysis represents increase/decrease of 1.0% and 13.0% for USD in the fluctuation of the annual average exchange rate of USD against RMB during the Track Record Period. The parameters used in the sensitivity analysis are commensurate with their historical volatility.

USD against RMB

	FY2016	FY2017	FY2018	4M2018	4M2019
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Impact on revenue for the year/period					
+/–1%	435	469	519	100	184
+/–13%	5,661	6,091	6,746	1,297	2,389
Impact on cost of sales for the year/ period					
+/–1%	1,208	1,273	715	68	109
+/–13%	15,698	16,554	9,289	541	1,418
Impact on net profit for the year/period					
+/–1%	658	665	166	27	62
+/–13%	8,551	8,648	2,162	218	806

Research and development

Our research and development capabilities are crucial to the development of our Group. Through our research and development efforts, we have been able to expand our production capacity, improve the purity level of tantalum pentoxide and niobium pentoxide, develop pentoxide products with special physical properties to meet the demand of our customers, and enhance our capabilities in recycling waste materials for environmental protection. For details, please refer to the paragraph headed "Business — Research and development" in this document.

For FY2016, FY2017, FY2018, 4M2018 and 4M2019, our Group incurred approximately RMB8.4 million, RMB12.2 million, RMB22.7 million, RMB5.4 million and RMB5.7 million on research and development, respectively. As at 30 April 2019, we had eight on-going in-house research and development projects and two cooperative projects with research and academic institute/company in China. However, there is no assurance that the products we plan to develop will be as profitable as we expected. In addition, there is no assurance that our research and development efforts will lead to the introduction of new technologies that will be commercially viable. While we strive to focus our research and development efforts that will be commercially viable and profitable, there is no assurance that our research and development efforts will be successful or directly applicable to improve our products, or that our new technologies and products will be accepted in the market.

APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the financial information, we have consistently applied the HKFRSs which are effective for annual accounting periods beginning on 1 January 2019 throughout the Track Record Period.

Our Group has not yet applied newly established/amended HKFRSs which are related to our Group and have already been issued but are not yet effective.

HKFRS 9

Our Group has consistently applied HKFRS 9 throughout the Track Record Period. HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets. Key requirements of HKFRS 9 which are relevant to our Group are in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Our Directors are of the view that the application of HKFRS 9 did not have a material impact on the amounts of impairment losses recognised by our Group during the Track Record Period.

HKFRS 15

Our Group has consistently applied HKFRS 15 throughout the Track Record Period. HKFRS 15 replaces the previous revenue standards including HKAS 18, HKAS 11 and the related interpretations. HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Our Directors are of the view that the application of HKFRS 15 did not have a material impact on the timing and amounts of revenue recognised by our Group during the Track Record Period.

HKFRS 16

Our Group consistently applied HKFRS 16 throughout the Track Record Period. HKFRS 16 replaces the previous leasing standards including HKAS 17 and the related interpretations. HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion. Our Directors are of the view that the application of HKFRS 16 did not have a material impact on our Group's financial performance.

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies which are significant to the preparation of the financial information in accordance with HKFRSs. The determination of these accounting policies is fundamental to our financial positions and results of operations, and requires us to make significant judgments and estimation, further information on which is set forth in the paragraphs headed "Significant accounting judgments and estimates" in this section.

Revenue recognition

For details, please refer to Note 2.4 of the Accountants' Report set out in Appendix I to this document.

Government grants

For details, please refer to Note 2.4 of the Accountants' Report set out in Appendix I to this document.

Property, plant and equipment and depreciation

For details, please refer to Note 2.4 of the Accountants' Report set out in Appendix I to this document.

Right-of-use assets

For details, please refer to Note 2.4 of the Accountants' Report set out in Appendix I to this document.

Lease liabilities

For details, please refer to Note 2.4 of the Accountants' Report set out in Appendix I to this document.

Inventories

For details, please refer to Note 2.4 of the Accountants' Report set out in Appendix I to this document.

Financial assets at fair value through profit or loss

For details, please refer to Note 2.4 of the Accountants' Report set out in Appendix I to this document.

Financial liabilities

For details, please refer to Note 2.4 of the Accountants' Report set out in Appendix I to this document.

Fair value measurement

For details, please refer to Note 2.4 of the Accountants' Report set out in Appendix I to this document.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of our financial information requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, 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. For details of our significant accounting judgements and estimates, please refer to Note 2.5 of the Accountants' Report set out in Appendix I to this document.

RESULTS OF OPERATIONS

The consolidated statements of profit or loss during the Track Record Period are summarised below, which are extracted from the Accountants' Report:

	FY2016	FY2017	FY2018	4M2018	4M2019
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
CONTINUING OPERATIONS					
Revenue	217,441	307,360	514,718	137,618	203,845
Cost of sales	(165,684)	(220,016)	(349,485)	(95,562)	(152,287)
Gross profit	51,757	87,344	165,233	42,056	51,558
Other income and gains	4,186	1,842	3,016	1,202	3,785
Selling and distribution expenses	(1,791)	(2,277)	(5,688)	(1,517)	(1,983)
Administrative expenses	(21,979)	(33,991)	(56,900)	(12,564)	(19,254)
Other expenses	(524)	(3,087)	(12,368)	(368)	(1,490)
Finance costs	(2,729)	(3,197)	(3,199)	(905)	(1,316)
Profit before tax from continuing operations	28,920	46,634	90,094	27,904	31,300
Income tax expense	(4,256)	(8,050)	(13,023)	(4,301)	(5,590)
Profit for the year/period from continuing operations	24,664	38,584	77,071	23,603	25,710
DISCONTINUED OPERATION					
Loss for the year/period from a discontinued operation	(787)	—	—	—	—
Profit for the year/period	23,877	38,584	77,071	23,603	25,710

PRINCIPAL COMPONENTS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

Our revenue comprised revenue generated from sale of products and the provision of processing services. The following table sets forth the breakdown of our total revenue by source for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 *(unaudited)*	%	RMB'000	%
Sale of products	199,215	91.6	293,048	95.3	504,098	97.9	132,661	96.4	202,437	99.3
Provision of processing services	18,226	8.4	14,312	4.7	10,620	2.1	4,957	3.6	1,408	0.7
Total revenue	**217,441**	**100.0**	**307,360**	**100.0**	**514,718**	**100.0**	**137,618**	**100.0**	**203,845**	**100.0**

Our revenue for FY2016, FY2017, FY2018, 4M2018 and 4M2019 amounted to approximately RMB217.4 million, RMB307.4 million, RMB514.7 million, RMB137.6 million and RMB203.8 million, respectively, of which our revenue generated from sale of products accounted for approximately 91.6%, 95.3%, 97.9%, 96.4% and 99.3% of our total revenue for the same years/periods, respectively.

During the Track Record Period, we mainly generated revenue from customers in the PRC. For FY2016, FY2017, FY2018, 4M2018 and 4M2019, our revenue generated from customers in the PRC accounted for approximately 80.0%, 84.8%, 89.9%, 92.8% and 91.0% of our total revenue for the same years/periods, respectively. The following table sets forth the breakdown of our total revenue by geographic location of our customers for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
PRC	173,898	80.0	260,503	84.8	462,827	89.9	127,643	92.8	185,470	91.0
The United States	19,990	9.2	21,875	7.1	19,995	3.9	2,275	1.6	10,355	5.1
EU countries[(1)]	18,279	8.4	13,796	4.5	19,365	3.8	6,718	4.9	2,051	1.0
Others[(2)]	5,274	2.4	11,186	3.6	12,531	2.4	982	0.7	5,969	2.9
Total revenue	**217,441**	**100.0**	**307,360**	**100.0**	**514,718**	**100.0**	**137,618**	**100.0**	**203,845**	**100.0**

Notes:

(1) During the Track Record Period, we sold our products to different EU countries including Austria, France and Luxembourg.

(2) Others included Hong Kong, Japan, South Korea and Taiwan.

(i) Sale of products

The following table sets forth the breakdown of our revenue from sale of products for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Pentoxide products:	167,398	84.0	235,447	80.3	340,815	67.6	109,955	82.8	150,988	74.6
Tantalum pentoxide:	93,703	47.0	105,449	36.0	126,635	25.1	53,112	40.0	61,718	30.5
Industrial grade tantalum pentoxide	*91,415*	*45.9*	*98,573*	*33.7*	*116,537*	*23.1*	*50,741*	*38.2*	*60,343*	*29.8*
High-purity tantalum pentoxide	*2,288*	*1.1*	*6,876*	*2.3*	*10,098*	*2.0*	*2,371*	*1.8*	*1,375*	*0.7*
Niobium pentoxide:	73,695	37.0	129,998	44.3	214,180	42.5	56,843	42.8	89,270	44.1
Industrial grade niobium pentoxide	*63,136*	*31.7*	*102,624*	*35.0*	*168,193*	*33.4*	*42,905*	*32.3*	*62,712*	*31.0*
High-purity niobium pentoxide	*10,559*	*5.3*	*27,374*	*9.3*	*45,987*	*9.1*	*13,938*	*10.5*	*26,558*	*13.1*
Potassium heptafluorotantalate	21,142	10.6	44,756	15.3	134,347	26.7	19,596	14.8	25,396	12.5
Processed products:	8,297	4.2	12,845	4.4	25,056	5.0	2,267	1.7	16,354	8.1
Tantalum bars	*6,821*	*3.4*	*12,786*	*4.4*	*20,392*	*4.1*	*2,250*	*1.7*	*11,321*	*5.6*
Tantalum carbide	*1,360*	*0.8*	—	—	—	—	—	—	—	—
Niobium bars	*97*	*0.0*	*2*	*0.0*	*4,647*	*0.9*	—	—	*5,033*	*2.5*
Niobium powder	*19*	*0.0*	*57*	*0.0*	*17*	*0.0*	*17*	*0.0*	—	—
Recycled products	2,207	1.1	—	—	3,698	0.7	843	0.7	5,274	2.6
Others	171	0.1	—	—	182	0.0	—	—	4,425	2.2
Total revenue from sale of products	**199,215**	**100.0**	**293,048**	**100.0**	**504,098**	**100.0**	**132,661**	**100.0**	**202,437**	**100.0**

During the Track Record Period, our products sold included: (i) pentoxide products; (ii) potassium heptafluorotantalate; (iii) recycled products; (iv) processed products; and (v) others. Out of the products we sold, pentoxide products accounted for approximately 84.0%, 80.3%, 67.6%, 82.8% and 74.6% of our total revenue generated from sale of products for FY2016, FY2017, FY2018, 4M2018 and 4M2019, respectively.

Pentoxide products

In respect of pentoxide products, it included (i) tantalum pentoxide; and (ii) niobium pentoxide. For each of tantalum pentoxide and niobium pentoxide, our products sold included industrial grade and high-purity products.

Our revenue generated from the sale of pentoxide products increased by approximately RMB68.0 million or 40.6% from approximately RMB167.4 million for FY2016 to approximately RMB235.4 million for FY2017, and further increased by approximately RMB105.4 million or 44.8% from approximately RMB235.4 million for FY2017 to approximately RMB340.8 million for FY2018. Such increase was driven by the increase in revenue from the sale of both tantalum pentoxide and niobium pentoxide.

For 4M2019, our revenue generated from the sale of pentoxide products amounted to approximately RMB151.0 million, representing an increase of approximately RMB41.0 million or 37.3% from approximately RMB110.0 million for 4M2018. Such increase was driven by the increase in revenue from the sale of both tantalum pentoxide and niobium pentoxide.

Tantalum pentoxide

Our revenue generated from the sale of tantalum pentoxide increased by approximately RMB11.7 million or 12.5% from approximately RMB93.7 million for FY2016 to approximately RMB105.4 million for FY2017, and further increased by approximately RMB21.2 million or 20.1% from approximately RMB105.4 million for FY2017 to approximately RMB126.6 million for FY2018. Such increase was mainly due to the increase in average selling price for industrial grade tantalum pentoxide which outweighed the decrease in sales volume for industrial grade tantalum pentoxide.

For 4M2019, our revenue generated from the sale of tantalum pentoxide amounted to approximately RMB61.7 million, representing an increase of approximately RMB8.6 million or 16.2% from approximately RMB53.1 million for 4M2018. Such increase was mainly due to the increase in sales volume of industrial grade tantalum pentoxide which outweighed the decrease in average selling price of industrial grade tantalum pentoxide.

For analysis of fluctuation in sales volume and average selling price, please refer to the paragraph headed "Sales volume and average selling price" below in this section.

Niobium pentoxide

Our revenue generated from the sale of niobium pentoxide increased by approximately RMB56.3 million or 76.4% from approximately RMB73.7 million for FY2016 to approximately RMB130.0 million for FY2017, and further increased by approximately RMB84.2 million or 64.8% from approximately RMB130.0 million for FY2017 to approximately RMB214.2 million for FY2018. Such increase was mainly due to the increase in sales volume and average selling price for both industrial grade and high-purity niobium pentoxide.

For 4M2019, our revenue generated from the sale of niobium pentoxide amounted to approximately RMB89.3 million, representing an increase of approximately RMB32.5 million or 57.2% from approximately RMB56.8 million for 4M2018. Such increase was mainly due to the increase in sales volume of industrial grade niobium pentoxide and high-purity niobium pentoxide.

For analysis of fluctuation in sales volume and average selling price, please refer to the paragraph headed "Sales volume and average selling price" below in this section.

Potassium heptafluorotantalate

Our revenue generated from sale of potassium heptafluorotantalate increased by approximately RMB23.7 million or 112.3% from approximately RMB21.1 million for FY2016 to approximately RMB44.8 million for FY2017, and further increased significantly by approximately RMB89.5 million or 199.8% from approximately RMB44.8 million for FY2017 to approximately RMB134.3 million for FY2018. Such increase was mainly due to the increase in sales volume and average selling price.

For 4M2019, our revenue generated from the sale of potassium heptafluorotantalate amounted to approximately RMB25.4 million, representing an increase of approximately RMB5.8 million or 29.6% from approximately RMB19.6 million for 4M2018. Such increase was mainly due to the increase in sales volume which outweighed the decrease in average selling price.

For analysis of fluctuation in sales volume and average selling price, please refer to the paragraph headed "Sales volume and average selling price" below in this section.

Recycled products

During the Track Record Period, our recycled products sold included two types of products produced by recycling our waste materials, namely tin hydroxide and potassium fluorosilicate. For further details, please refer to the paragraph headed "Business — Production facilities — Facilities for waste material recycling" in this document.

Our revenue generated from the sale of recycled products amounted to approximately RMB2.2 million, nil, RMB3.7 million, RMB0.8 million and RMB5.3 million for FY2016, FY2017, FY2018, 4M2018 and 4M2019, respectively. For FY2017, we did not receive any order for our recycled products and as a result we did not sell any recycled products.

Processed products

During the Track Record Period, our processed products sold included tantalum bars, tantalum carbide, niobium bars and niobium powder, which were produced by engaging third-party metallurgy companies to process the pentoxide products and potassium heptafluorotantalate we produced, or purchased from third-party metallurgy companies. For further details of our processed products, please refer to the paragraph headed "Business — Our products — Processed products" in this document.

Our revenue generated from the sale of processed products increased by approximately RMB4.5 million or 54.2% from approximately RMB8.3 million for FY2016 to approximately RMB12.8 million for FY2017, and further increased by approximately RMB12.3 million or 96.1% from approximately RMB12.8 million for FY2017 to approximately RMB25.1 million for FY2018. For 4M2019, our revenue generated from the sale of processed products amounted to approximately RMB16.4 million, representing an increase of approximately RMB14.1 million from approximately RMB2.3 million for 4M2018.

The increase in revenue from the sale of processed products during the Track Record Period was mainly contributed by the sale of tantalum bars. For FY2016, FY2017, FY2017, 4M2018 and 4M2019, our revenue from the sale of tantalum bars amounted to approximately RMB6.8 million, RMB12.8

million, RMB20.4 million, RMB2.3 million and RMB11.3 million, respectively, representing approximately 82.2%, 99.5%, 81.4%, 99.3% and 69.2% of our revenue from the sale of processed products for the same years/periods, respectively.

Others

Our revenue generated from the sale of other products amounted to approximately RMB0.2 million, nil, RMB0.2 million, nil and RMB4.4 million for FY2016, FY2017, FY2018, 4M2018 and 4M2019, respectively.

For FY2016, we sold cobalt carbonate (CoCO3), which is a type of by-product generated in our production process. For FY2017, we did not sell other products. For FY2018 and 4M2019, we sold ferro niobium tantalum alloy, which is a kind of impurity included in our raw materials. Considering its higher impurity, we resold ferro niobium tantalum alloy to utilise our inventory.

(ii) Provision of processing services

During the Track Record Period, we provided processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate products. Our revenue generated from the provision of processing services accounted for approximately 8.4%, 4.7%, 2.1%, 3.6% and 0.7% of our total revenue for FY2016, FY2017, FY2018, 4M2018 and 4M2019, respectively.

Our revenue generated from the provision of processing services decreased by approximately RMB3.9 million or 21.4% from approximately RMB18.2 million for FY2016 to approximately RMB14.3 million for FY2017, and further decreased by approximately RMB3.7 million or 25.9% from approximately RMB14.3 million for FY2017 to approximately RMB10.6 million for FY2018. For 4M2019, our revenue generated from the provision of processing services amounted to approximately RMB1.4 million, representing a decrease of approximately RMB3.5 million or 71.6% from 4M2018. The decrease in revenue from the provision of processing services throughout the Track Record Period was mainly due to we allocated our production capacity to focus more on production for sale of products than for provision of processing services in view of the higher average price for sale of products than that for provision of processing services.

Sales volume and average selling price

The following table sets forth the sales volume and average selling price for the years/periods indicated:

	FY2016			FY2017			FY2018			4M2018			4M2019		
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	RMB'000	tonne	RMB'000	RMB'000	tonne	RMB'000	RMB'000	tonne	RMB'000	RMB'000 (unaudited)	tonne	RMB'000	RMB'000	tonne	RMB'000
Sale of products:															
Pentoxide products:															
Tantalum pentoxide:															
Industrial grade tantalum pentoxide	*91.415*	*98.4*	*929.4*	*98,573*	*87.0*	*1,132.4*	*116,537*	*81.6*	*1,428.2*	*50,741*	*35.2*	*1,442.1*	*60,343*	*46.5*	*1,298.3*
High-purity tantalum pentoxide	*2,288*	*2.0*	*1,150.4*	*6,876*	*5.6*	*1,224.8*	*10,098*	*6.5*	*1,549.7*	*2,371*	*1.8*	*1,296.0*	*1,375*	*0.9*	*1,551.9*
Niobium pentoxide:															
Industrial grade niobium pentoxide	*63,136*	*442.3*	*142.7*	*102,624*	*572.7*	*179.2*	*168,193*	*751.7*	*223.8*	*42,905*	*188.2*	*228.0*	*62,712*	*294.9*	*212.6*
High-purity niobium pentoxide	*10,559*	*49.6*	*213.0*	*27,374*	*123.7*	*221.2*	*45,987*	*169.1*	*272.0*	*13,938*	*53.2*	*262.1*	*26,558*	*100.0*	*265.6*
Potassium heptafluorotantalate	21,142	43.3	488.3	44,756	62.0	721.9	134,347	159.0	845.2	19,596	23.6	832.0	25,396	35.0	725.6
Processed products:															
Tantalum bars	*6,821*	*4.2*	*1,605.3*	*12,786*	*7.0*	*1,826.6*	*20,392*	*9.2*	*2,216.5*	*2,250*	*1.0*	*2,248.9*	*11,321*	*5.5*	*2,058.4*
Tantalum carbide	*1,360*	*1.0*	*1,360.3*	—	—	—	—	—	—	—	—	—	—	—	—
Niobium bars	*97*	*0.3*	*324.8*	*2*	*0.0*	*367.5*	*4,647*	*11.5*	*404.1*	—	—	—	*5,033*	*12.2*	*412.3*
Niobium powder	*19*	*0.0*	*512.8*	*57*	*0.1*	*535.9*	*17*	*0.0*	*598.3*	*17*	*0.0*	*598.3*	—	—	—
Recycled products	2,207	26.7	82.8	—	—	—	3,698	1,330.4	2.8	843	286.8	2.9	5,274	135.0	39.1
Others	171	1.7	100.9	—	—	—	182	0.8	219.8	—	—	—	4,425	24.2	182.7
Processing services	18,226	251.1	72.6	14,312	134.2	106.6	10,620	93.0	114.3	4,957	33.5	148.1	1,408	10.8	130.2
Total	**217,441**	**920.6**		**307,360**	**992.3**		**514,718**	**2,612.8**		**137,618**	**623.3**		**203,845**	**665.0**	

Sales volume

(i) Pentoxide products and potassium heptafluorotantalate

We produced our products for sale of products and for provision of processing services. The following table sets forth the breakdown of our sales volume and production volume for sale of products in respect of pentoxide products and potassium heptafluorotantalate for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	Production volume for sale of products	Sales volume	Production volume for sale of products	Sales volume	Production volume for sale of products	Sales volume	Production volume for sale of products	Sales volume	Production volume for sale of products	Sales volume
	tonnes	tonnes	tonnes	tonnes	tonnes	tonnes	tonnes	tonnes	tonnes	tonnes
Pentoxide products:										
Industrial grade tantalum pentoxide	94.6	98.4	87.8	87.0	95.2	81.6	42.9	35.2	27.4	46.5
High-purity tantalum pentoxide	2.8	2.0	11.0	5.6	9.9	6.5	4.1	1.8	—	0.9
Industrial grade niobium pentoxide	421.8	442.3	579.6	572.7	733.3	751.7	197.6	188.2	249.5	294.9
High-purity niobium pentoxide	88.9	49.6	141.8	123.7	201.6	169.1	36.8	53.2	68.4	100.0
Subtotal for pentoxide products	608.1	592.3	820.2	789.0	1,040.0	1,008.9	281.4	278.4	345.3	442.3
Potassium heptafluorotantalate	45.6	43.3	84.0	62.0	181.5	159.0	28.2	23.6	46.3	35.0
Total	653.7	635.6	904.2	851.0	1,221.5	1,167.9	309.6	302.0	391.6	477.3

For FY2016, FY2017, FY2018, 4M2018 and 4M2019, our total sales volume of pentoxide products and potassium heptafluorotantalate amounted to approximately 635.6 tonnes, 851.0 tonnes, 1,167.9 tonnes, 302.0 tonnes and 477.3 tonnes, respectively. During the same years/periods, our total production volume of pentoxide products and potassium heptafluorotantalate for sale of products amounted to approximately 653.7 tonnes, 904.2 tonnes, 1,221.5 tonnes, 309.6 tonnes and 391.6 tonnes, respectively. During FY2018, we increased our purchase of raw materials and recorded an increase in our inventory from approximately RMB75.7 million as at 31 December 2017 to approximately RMB162.7 million as at 31 December 2018. During 4M2019, we utilised our excess inventory as at 31 December 2018, and as a result, (i) our sales volume of pentoxide products and potassium heptafluorotantalate exceeded our total production volume for 4M2019; and (ii) our inventory as at 30 April 2019 decreased to approximately RMB105.6 million. For detailed analysis of our inventory, please refer to the paragraph headed "Description of certain line items in the consolidated statements of financial position — Inventories" in this section.

From FY2016 to FY2018 and from 4M2018 to 4M2019, the increase in our total sales volume of pentoxide products and potassium heptafluorotantalate was generally in line with the increase in total our production volume of the same for sale of products. In particular, the significant increase in our total

sales volume of pentoxide products from approximately 789.0 tonnes for FY2017 to approximately 1,008.9 tonnes for FY2018 was facilitated by the increase in our production capacity due to the expansion of our production facilities. For details of the expansion of our production facilities, please refer to the paragraph headed "Business — Production facilities" in this document. As a result of our increase utilisation rate during FY2017 and the expansion of our production facilities, our total actual production volume of pentoxide products increased from approximately 771.6 tonnes for FY2016 to approximately 922.5 tonnes for FY2017 and further increased to approximately 1,121.5 tonnes for FY2018. Of the actual production volume, (i) the proportion of the industrial grade tantalum pentoxide for sale of products decreased from FY2016 to FY2018; and (ii) the proportion of industrial grade niobium for sale of products increased from FY2016 to FY2018.

In respect of industrial grade tantalum pentoxide, our sales volume decreased from approximately 98.4 tonnes for FY2016 to approximately 87.0 tonnes for FY2017, which was in line with the decrease in production volume for sale of products during FY2017. The decrease in sales orders was mainly attributable to (i) the decrease in sales orders from our repeat customers for FY2016, including Yanling Jincheng Tantalum & Niobium Co., Ltd.* (炎陵縣今成鉭鈮有限公司) and Zhuzhou Tuobang Import and Export Company Ltd.* (株洲拓邦進出口有限公司), being our largest customer and one of our five largest customers for FY2016, respectively; and (ii) Guangxi Non-ferrous Limu Mining Co., Ltd.* (廣西有色栗木礦業有限公司), being our second largest customer for FY2016, did not make sales orders with us during FY2017, offset by the sales orders from new customers for FY2017, including Liling Shengyu New Material Co., Ltd.* (醴陵市盛裕新材料有限公司), being our second largest customer for FY2017.

Our sales volume of industrial grade tantalum pentoxide decreased from approximately 87.0 tonnes for FY2017 to approximately 81.6 tonnes for FY2018, while our production volume for sale of products increased from approximately 87.8 tonnes for FY2017 to approximately 95.2 tonnes for FY2018. During the second half of FY2018, our Group received certain sales orders from Customer K for an aggregate amount of approximately 20.0 tonnes of industrial grade tantalum pentoxide which were delivered during 4M2019. Excluding the aforementioned sales order from Customer K, our production volume for sale of products in respect of industrial grade tantalum pentoxide for FY2018 decreased from FY2017, and as a result of the aforementioned sales orders from Customer K, our sales volume for 4M2019 exceeded the production volume for sale of products in respect of industrial grade tantalum pentoxide. The decrease in sales orders was mainly attributable to the decrease in sales orders from Liling Shengyu New Material Co., Ltd.* (醴陵市盛裕新材料有限公司), offset by the increase in sales orders from Yanling Jincheng Tantalum & Niobium Co., Ltd.* (炎陵縣今成鉭鈮有限公司), being our second largest customer for FY2018.

Our sales volume of industrial grade tantalum pentoxide increased from approximately 35.2 tonnes for 4M2018 to approximately 46.5 tonnes for 4M2019, mainly attributable to the sales orders from Customer K, being our second largest customer for 4M2019.

Our sales volume of industrial grade niobium pentoxide increased from approximately 442.3 tonnes for FY2016 to approximately 572.7 tonnes for FY2017, mainly attributable to (i) the sales orders from Liling Shengyu New Material Co., Ltd.* (醴陵市盛裕新材料有限公司), being a new customer and our second largest customer for FY2017; and (ii) the increase in sales orders from repeat customers for FY2017, including 寧夏東方鉭業股份有限公司 and Yanling Jincheng Tantalum & Niobium Co., Ltd.* (炎陵縣今成鉭鈮有限公司), being our largest customer and one of our five largest customers for FY2017.

Our sales volume of industrial grade niobium pentoxide increased from approximately 572.7 tonnes to approximately 751.7 tonnes for FY2018, mainly attributable to the increase in sales orders from Customer F, Yanling Jincheng Tantalum & Niobium Co., Ltd.* (炎陵縣今成鉭鈮有限公司) and Liling Shengyu New Material Co., Ltd.* (醴陵市盛裕新材料有限公司), being our three largest customers for FY2018.

Our sales volume of industrial grade niobium pentoxide increased from approximately 188.2 tonnes for 4M2018 to approximately 294.9 tonnes for 4M2019, mainly attributable to the increase in sales orders from Liling Shengyu New Material Co., Ltd.* (醴陵市盛裕新材料有限公司), being one of our five largest customers for 4M2019.

Our sales volume of potassium heptafluorotantalate increased from approximately 43.3 tonnes for FY2016 to approximately 62.0 tonnes for FY2017, mainly attributable to the sales orders from Customer F, being our largest customer for FY2017, offset by the decrease in sales orders from Customer E, being one of our five largest customers for FY2016.

Our sales volume of potassium heptafluorotantalate increased from approximately 62.0 tonnes for FY2017 to approximately 159.0 tonnes, mainly attributable to the increase in sales orders from Customer F and Customer J, being our largest customer and one of our five largest customers for FY2018, respectively.

Our sales volume of potassium heptafluorotantalate increased from approximately 23.6 tonnes for 4M2018 to approximately 35.0 tonnes for 4M2019, mainly attributable to the sales orders from Customer E, being one of our five largest customers for 4M2019, while our sales orders from Customer F remained stable.

(ii) Processed products

During the Track Record Period, the sales volume of our processed products generally increased. Such increase was mainly contributed by the increase in sales volume of tantalum bars. Our tantalum bars were mainly sold to Customer H, being one of our five largest customers for FY2017 and FY2018.

Average selling price

The average selling price of tantalum pentoxide and niobium pentoxide generally increased throughout the period from FY2016 to FY2018 and decreased for 4M2019. Such trend was generally consistent with overall market trend of average selling price of tantalum pentoxide and niobium pentoxide according to the CIC Report. According to the CIC Report, (i) the increasing trend throughout the period from FY2016 to FY2018 was mainly driven by the growing demand from various downstream industries in line with the recovering global economy; and (ii) the decreasing trend for 4M2019 was mainly due to an expected stable supply of tantalum ores and niobium ores in the upstream industries and was in line with the price decline in tantalum ores and niobium ores.

The average selling price of potassium heptafluorotantalate generally increased throughout the period from FY2016 to FY2018 and decreased for 4M2019. Such trend was generally consistent with overall market trend of average selling price of potassium heptafluorotantalate according to the CIC Report. According to the CIC Report, (i) the increasing trend throughout the period from FY2016 to

FY2018 was in line with the price increase in tantalum ores and niobium ores; and (ii) the decreasing trend for 4M2019 was mainly due to the expected stable and sufficient supply of tantalum ores and niobium ores for the global and PRC market.

For details, please refer to the paragraph headed "Industry overview — PRC tantalum- and niobium-based hydrometallurgical products market" in this document.

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 FY2016, FY2017, FY2018, 4M2018 and 4M2019, our cost of sales amounted to approximately RMB165.7 million, RMB220.0 million, RMB349.5 million, and RMB95.6 million and RMB152.3 million, respectively. The following table sets forth the breakdown of our cost of sales for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Raw materials	147,241	88.9	196,527	89.3	322,688	92.3	88,755	92.9	136,573	89.7
Factory overheads	9,482	5.7	12,178	5.5	11,468	3.3	2,977	3.1	7,717	5.1
Electricity and fuels	4,424	2.7	5,540	2.5	6,989	2.0	2,042	2.1	3,244	2.1
Labour[(1)]	3,592	2.2	4,728	2.2	6,335	1.8	1,621	1.7	3,053	2.0
Processing fee	945	0.5	1,043	0.5	2,005	0.6	167	0.2	1,700	1.1
Total cost of sales	**165,684**	**100.0**	**220,016**	**100.0**	**349,485**	**100.0**	**95,562**	**100.0**	**152,287**	**100.0**

Note:

(1) 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, accounted for approximately 88.9%, 89.3%, 92.3%, 92.9% and 89.7% of our total cost of sales for FY2016, FY2017, FY2018, 4M2018 and 4M2019, respectively. The increase in our raw materials costs during the Track Record Period was primarily due to the increase in purchase volume of raw materials which was in line with the increase in our total production volume and total sales volume.

For sensitivity analysis on the hypothetical fluctuations in raw materials costs on our net profits during the Track Record Period, please refer to the paragraph headed "Significant factors affecting our results of operations and financial condition of continuing operations — Prices of raw materials" in this section.

Gross profit and gross profit margin

The following table sets forth the gross profit and gross profit margin by source of revenue for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)	*(unaudited)*		
Sale of products:	**42,635**	**21.4**	**79,408**	**27.1**	**160,171**	**31.7**	**39,406**	**29.7**	**51,116**	**25.3**
Pentoxide products:	34,706	20.7	57,820	24.6	107,967	31.6	32,633	29.7	37,560	24.9
Tantalum pentoxide:	25,130	26.8	37,617	35.7	36,199	28.6	15,128	28.5	15,322	24.8
Industrial grade tantalum pentoxide	*24,339*	*26.6*	*34,824*	*35.3*	*33,108*	*28.4*	*14,169*	*27.9*	*14,956*	*24.8*
High-purity tantalum pentoxide	*791*	*34.6*	*2,793*	*40.6*	*3,091*	*30.6*	*959*	*40.4*	*366*	*26.6*
Niobium pentoxide:	9,576	13.0	20,203	15.5	71,768	33.5	17,505	30.8	22,238	24.9
Industrial grade niobium pentoxide	*5,542*	*8.8*	*13,383*	*13.0*	*60,020*	*35.7*	*14,240*	*33.2*	*16,720*	*26.7*
High-purity niobium pentoxide	*4,034*	*38.2*	*6,820*	*24.9*	*11,748*	*25.5*	*3,265*	*23.4*	*5,518*	*20.8*
Potassium heptafluorotantalate	4,228	20.0	17,522	39.2	45,668	34.0	6,002	30.6	4,949	19.5
Processed products:	2,524	30.4	4,066	31.7	6,453	25.8	489	21.6	3,387	20.7
Tantalum bars	*1,989*	*29.2*	*4,061*	*31.8*	*5,607*	*27.5*	*486*	*21.6*	*2,447*	*21.6*
Tantalum carbide	*515*	*37.9*	—	—	—	—	—	—	—	—
Niobium bars	*20*	*21.2*	*0*	*14.0*	*843*	*18.1*	—	—	*940*	*18.7*
Niobium powder	*0*	*2.4*	*5*	*9.2*	*3*	*17.5*	*3*	*17.3*	—	—
Recycled products	1,176	53.3	—	—	17	0.5	282	33.4	4,117	78.1
Others	1	0.3	—	—	66	36.2	—	—	1,103	24.9
Processing services	**9,122**	**50.1**	**7,936**	**55.5**	**5,062**	**47.7**	**2,650**	**53.5**	**442**	**31.4**
Total gross profit/overall gross profit margin	**51,757**	**23.8**	**87,344**	**28.4**	**165,233**	**32.1**	**42,056**	**30.6**	**51,558**	**25.3**

Our gross profit increased from approximately RMB51.8 million for FY2016 to approximately RMB87.3 million for FY2017, and further to approximately RMB165.2 million for FY2018. For 4M2019, our gross profit amounted to approximately RMB51.6 million, representing an increase of approximately RMB9.5 million from 4M2018. Our gross profit margin increased from approximately 23.8% for FY2016 to approximately 28.4% for FY2017, and further increased to approximately 32.1% for FY2018. Our gross profit margin decreased from approximately 30.6% for 4M2018 to approximately 25.3% for 4M2019.

Our gross profit was mainly contributed by gross profit from sale of products, which accounted for approximately 82.4%, 90.9%, 96.9%, 93.7% and 99.1% of our total gross profit for FY2016, FY2017, FY2018, 4M2018 and 4M2019, respectively.

According to the CIC Report, (i) the price of pentoxide products and potassium heptafluorotantalate all increased throughout the period from FY2016 to FY2018 and decreased for 4M2019; and (ii) the price of tantalum ores and niobium ores followed the same pattern as the demand for tantalum-based products increased throughout the period from FY2016 to FY2018 and then stabilised for 4M2019. Our gross profit margin for sale of products increased from approximately 21.4% for FY2016 to approximately 27.1% for FY2017, and further increased to approximately 31.7% for FY2018, and decreased to approximately 25.3% for 4M2019. The gross profit margin of industrial grade tantalum pentoxide and potassium heptafluorotantalate increased from approximately 26.6% and 20.0%,

respectively, for FY2016 to approximately 35.3% and 39.2% for FY2017, respectively, and decreased to approximately 28.4% and 34.0% for FY2018, respectively. This was mainly because (i) for FY2017 the percentage of increase of average selling price of industrial grade tantalum pentoxide and potassium heptafluorotantalate outweighed the increase of cost of tantalum ores; and (ii) for FY2018 the percentage of increase of cost of tantalum ores outweighed the increase of average selling price of industrial grade tantalum pentoxide and potassium heptafluorotantalate.

The gross profit margin of niobium pentoxide increased from approximately 13.0% for FY2017 to approximately 35.7% for FY2018. This is mainly because for FY2018 the raw materials we used to produce industrial grade niobium pentoxide included a higher proportion of ferro niobium alloy, whose price was lower than niobium ores.

The decrease in gross profit margin for 4M2019 was mainly due to (i) decrease in our average selling price for 4M2019; and (ii) the utilisation during 4M2019 of our inventory as at 31 December 2018 which was purchased when the market price of our raw material was higher.

Other income and gains

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

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Government subsidies	2,006	47.9	1,386	75.2	2,580	85.6	858	71.4	2,191	57.9
Bank interest income	207	5.0	399	21.7	414	13.7	21	1.7	156	4.1
Gain on disposal of items of property, plant and equipment	—	—	32	1.7	—	—	—	—	—	—
Fair value gains on derivative financial instruments, net	1,737	41.5	—	—	—	—	—	—	—	—
Foreign exchange differences, net	—	—	—	—	—	—	315	26.2	1,433	37.9
Others	236	5.6	25	1.4	22	0.7	8	0.7	5	0.1
Total other income and gains	**4,186**	**100.0**	**1,842**	**100.0**	**3,016**	**100.0**	**1,202**	**100.0**	**3,785**	**100.0**

Our other income and gains primarily comprised government subsidies, bank interest income, net fair value gains on derivative financial instruments and foreign exchange gain. Our other income and gains for FY2016, FY2017, FY2018, 4M2018 and 4M2019 amounted to approximately RMB4.2 million, RMB1.8 million, RMB3.0 million, RMB1.2 million and RMB3.8 million, respectively.

We received government subsidies from local government authorities for engaging in research and development activities. For FY2016, FY2017, FY2018, 4M2018 and 4M2019, we recorded government subsidies of approximately RMB2.0 million, RMB1.4 million, RMB2.6 million, RMB0.9 million and RMB2.2 million, respectively. Subsidies vary from year to year.

Fair value gains on derivative financial instruments mainly represented the net gains arising from the closing out of derivatives and the changes in fair value of derivatives as at the end of each reporting period. During the Track Record Period, we entered into certain forward currency contracts, which were all settled as at 30 April 2019. For the associated risk, please refer to the paragraph headed "Risk Factors — If we hold derivative financial instruments in the future, such derivative financial instruments may materially and adversely affect our financial condition and results of operations" in this document. These forward currency contracts were not for hedge purposes. For FY2016, we recognised approximately RMB1.7 million of fair value gains on such derivative financial instruments.

Foreign exchange gain mainly represented the foreign exchange differences between RMB and foreign currencies including HK$ and USD.

Selling and distribution expenses

Our selling and distribution expenses primarily comprised expenses for transportation and packaging for delivery of products, salaries and benefits for personnel of our sales and procurement department and travelling and entertainment expenses. Our selling and distribution expenses for FY2016, FY2017, FY2018, 4M2018 and 4M2019 amounted to approximately RMB1.8 million, RMB2.3 million, RMB5.7 million, RMB1.5 million and RMB2.0 million, respectively. The table below sets forth the breakdown of our selling and distribution expenses for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Distribution costs	1,091	60.9	1,134	49.8	2,199	38.7	565	37.2	952	48.0
Travelling and entertainment expenses	306	17.1	546	24.0	627	11.0	239	15.8	79	4.0
Staff costs	257	14.4	429	18.8	2,632	46.3	632	41.7	863	43.5
Office expenses	126	7.0	125	5.5	131	2.3	69	4.5	39	2.0
Others	11	0.6	43	1.9	99	1.7	12	0.8	50	2.5
Total selling and distribution expenses	**1,791**	**100.0**	**2,277**	**100.0**	**5,688**	**100.0**	**1,517**	**100.0**	**1,983**	**100.0**

Administrative expenses

Our administrative expenses primarily comprised: (i) research and development expenses; (ii) staff costs of our administrative and management staff; and (iii) **[REDACTED]** expenses. Our administrative expenses for FY2016, FY2017, FY2018, 4M2018 and 4M2019 amounted to approximately RMB22.0 million, RMB34.0 million, RMB56.9 million, RMB12.6 million and RMB19.3 million, respectively. The table below sets forth the breakdown of our administrative expenses for the years/periods indicated:

	FY2016		FY2017		FY2018		4M2018		4M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 *(unaudited)*	%	RMB'000	%
Research and development expenses	8,374	38.0	12,207	35.9	22,705	39.9	5,447	43.4	5,748	29.9
Staff costs	6,004	27.2	7,399	21.8	14,897	26.2	2,871	22.8	3,825	19.9
[REDACTED] expenses	1,287	5.8	6,741	19.8	4,829	8.5	1,538	12.2	4,119	21.4
Other tax expenses	1,786	8.1	1,918	5.6	2,061	3.6	547	4.3	649	3.4
Legal advisory and professional fees	671	3.1	1,113	3.3	377	0.7	111	0.9	143	0.7
Depreciation and amortisation	982	4.5	1,238	3.7	1,749	3.1	586	4.7	1,278	6.6
Travelling and entertainment expenses	870	4.0	673	2.0	804	1.4	145	1.2	278	1.4
Bank charges	147	0.7	491	1.4	1,893	3.3	345	2.7	401	2.1
Others[(1)]	1,858	8.6	2,211	6.5	7,585	13.3	974	7.8	2,813	14.6
Total administrative expenses	**21,979**	**100.0**	**33,991**	**100.0**	**56,900**	**100.0**	**12,564**	**100.0**	**19,254**	**100.0**

Note:

(1) Others primarily mainly comprised audit fees, insurance, office expenses, motor vehicle expenses maintenance fee and handling charges.

Our research and development expenses amounted to approximately RMB8.4 million, RMB12.2 million, RMB22.7 million, RMB5.4 million and RMB5.7 million for FY2016, FY2017, FY2018, 4M2018 and 4M2019, respectively. Such expenses were primarily used to improve the purity level of tantalum pentoxide and niobium pentoxide, develop niobium pentoxide with different physical properties to be applied in different industries, and enhance our capabilities in recycling waste materials for environmental protection. We intend to continue our investment in research and development in line with our business strategies. For details, please refer to the paragraph headed "Business — Our business strategies" in this document.

Other expenses

Our other expenses mainly loss arising from changes in the fair value of derivative financial instruments and foreign exchange loss. Our other expenses for FY2016, FY2017, FY2018, 4M2018 and 4M2019 amounted to approximately RMB0.5 million, RMB3.1 million, RMB12.4 million, RMB0.4 million and RMB1.5 million, respectively. For FY2017, FY2018, 4M2018 and 4M2019, we recognised approximately RMB2.5 million, RMB0.6 million, RMB0.3 million and RMB0.4 million of fair value loss on derivative financial instruments, respectively.

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/periods indicated:

	FY2016	FY2017	FY2018	4M2018	4M2019
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Finance costs on interest-bearing bank borrowings	2,657	3,517	6,161	1,735	1,981
Interest on lease liabilities	72	78	60	22	80
Less: interest capitalised	—	(398)	(3,022)	(852)	(745)
Total net finance costs	2,729	3,197	3,199	905	1,316

Our finance costs before capitalisation for FY2016, FY2017, FY2018, 4M2018 and 4M2019 amounted to approximately RMB2.7 million, RMB3.5 million, RMB6.2 million, RMB1.7 million and RMB2.0 million, respectively. For FY2016, FY2017, FY2018, 4M2018 and 4M2019, we capitalised interest of nil, approximately RMB0.4 million, RMB3.0 million, RMB0.9 million and RMB0.7 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 amounted to approximately RMB2.7 million, RMB3.2 million, RMB3.2 million, RMB0.9 million and RMB1.3 million for FY2016, FY2017, FY2018, 4M2018 and 4M2019, respectively.

Income tax expense

During the Track Record Period, our Group was subject to a tax rate of 25% pursuant to the EIT Law. Our Group was accredited in 2012 as a High-tech Enterprise and renewed such accreditation in October 2015, allowing us to enjoy a lower applicable tax rate of 15%, as compared to 25%. In addition, we enjoyed tax refund at the rate of 9% for our export sales of tantalum bars. For FY2016, FY2017, FY2018, 4M2018 and 4M2019, we received approximately RMB0.6 million, RMB1.2 million, RMB2.2 million, RMB0.2 million and RMB1.0 million of tax refund, respectively.

Our income tax expense for FY2016, FY2017, FY2018, 4M2018 and 4M2019 amounted to approximately RMB4.3 million, RMB8.1 million, RMB13.0 million, RMB4.3 million and RMB5.6 million, respectively. Our effective tax rate for FY2016, FY2017, FY2018, 4M2018 and 4M2019 was approximately 15.1%, 17.3%, 14.4%, 15.5% and 17.9%, respectively.

Our Directors confirm that our Group have paid all relevant taxes and were not subject to any dispute or unsolved tax issues with the relevant tax authorities in the PRC during the Track Record Period.

Loss from discontinued operation

We were engaged in trading of metallurgical products through our subsidiary Jiayuan Metal during the Track Record Period. We acquired Jiayuan Metal from Guangdong Jiana in August 2015 and disposed of it to Fogang Jiata in July 2016 in order to focus our resources on production and sale of pentoxide products and potassium heptafluorotantalate. For FY 2016, Jiayuan Metal was classified and accounted for as a discontinued operation in our consolidated statements of profit or loss. The disposal is not expected to have any material impact on our continuing operations. For further details of the disposal, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Acquisition and disposal of Jiayuan Metal" in this document. Following the disposal of Jiayuan Metal, its results of operations were not consolidated with our results of operations for FY2017, FY2018, 4M2018 and 4M2019. For FY2016, the results of our continuing operations in our consolidated statements of profit or loss excluded the results of the discontinued operation.

The following table sets forth the results of operations of the discontinued operation for FY2016:

	FY2016
	RMB'000
Revenue	8,712
Cost of sales	(6,705)
Other income	50
Expenses	(2,844)
Finance costs	—
Loss before tax and loss for the year from the discontinued operation	**(787)**

Profit for the year from continuing operations

As a result of the foregoing, we recorded net profit from continuing operations of approximately RMB24.7 million, RMB38.6 million and RMB77.1 million for FY2016, FY2017 and FY2018, respectively, and our net profit margin for continued operation was approximately 11.3%, 12.6% and 15.0%, respectively, for the same years. For 4M2019, our net profits from continuing operations amounted to approximately RMB25.7 million, representing an increase of approximately RMB2.1 million or 8.9% from approximately RMB23.6 million for 4M2018. Our net profit margin for continued operation was approximately 17.2% and 12.6% for 4M2018 and 4M2019, respectively.

REVIEW OF RESULTS OF OPERATIONS

FY2018 compared with FY2017

Revenue

Our revenue increased by approximately RMB207.3 million or 67.4% from approximately RMB307.4 million for FY2017 to approximately RMB514.7 million for FY2018. The increase was mainly due to the increase in revenue generated from sale of products of tantalum pentoxide, niobium

pentoxide and potassium heptafluorotantalate, offset by the decrease in revenue generated from the provision of processing services. For detailed analysis, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Revenue" in this section.

Cost of sales

Our cost of sales increased by approximately RMB129.5 million or 58.9% from approximately RMB220.0 million for FY2017 to approximately RMB349.5 million for FY2018. Such increase was mainly attributable to the increase in raw materials which was in line with the increase in our purchase. Our raw materials costs as a percentage of our total cost of sales remained stable at approximately 89.3% and 92.3% for FY2017 and FY2018, respectively.

Our raw materials costs amounted to approximately RMB196.5 million and RMB322.7 million for FY2017 and FY2018, respectively, representing approximately 67.1% and 64.0% of our revenue generated from sale of products for the same years, respectively.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB77.9 million or 89.2% from approximately RMB87.3 million for FY2017 to approximately RMB165.2 million for FY2018, mainly driven by the increase in our revenue.

Our gross profit margin increased from approximately 28.4% for FY2017 to approximately 32.1% for FY2018. Such increase was mainly driven by the increase in our average selling price of pentoxide products and potassium heptafluorotantalate.

Other income and gains

Our other income and gains increased by approximately RMB1.2 million from approximately RMB1.8 million for FY2017 to approximately RMB3.0 million for FY2018. Such increase was mainly attributable to the increase in government subsidies of approximately RMB1.2 million from approximately RMB1.4 million for FY2017 to approximately RMB2.6 million for FY2018.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB3.4 million from approximately RMB2.3 million for FY2017 to approximately RMB5.7 million for FY2018. Such increase was mainly attributable to (i) the increase in distribution costs of approximately RMB1.1 million from approximately RMB1.1 million for FY2017 to approximately RMB2.2 million for FY2018; and (ii) the increase in staff costs of approximately RMB2.2 million from approximately RMB0.4 million for FY2017 to approximately RMB2.6 million for FY2018.

Our increase in distribution costs was generally in line with the increase in our sale of products. Our distribution costs as a percentage of our revenue generated from sale of products remained stable at approximately 0.4% and 0.4% for FY2017 and FY2018, respectively.

Our increase in staff costs was mainly due to the increase in number of employees.

Administrative expenses

Our administrative expenses increased by approximately RMB22.9 million from approximately RMB34.0 million for FY2017 to approximately RMB56.9 million for FY2018. Such increase was mainly attributable to (i) the increase in research and development expenses of approximately RMB10.5 million from approximately RMB12.2 million for FY2017 to approximately RMB22.7 million for FY2018; (ii) the increase in staff costs of approximately RMB7.5 million from approximately RMB7.4 million for FY2017 to approximately RMB14.9 million for FY2018; and (iii) the increase in others of approximately RMB5.4 million from approximately RMB2.2 million for FY2017 to approximately RMB7.6 million for FY2018.

The increase in research and development expenses was mainly due to commencement of new research and development projects.

The increase in staff costs was mainly due to the increase in number of employees.

The increase in others was mainly due to (i) maintenance fee of approximately RMB1.6 million incurred during FY2018 in respect of our office in the PRC; and (ii) handling fee of approximately RMB1.4 million incurred in respect of utilising our bills receivables.

Other expenses

Our other expenses increased by approximately RMB9.3 million from approximately RMB3.1 million for FY2017 to approximately RMB12.4 million for FY2018. Such increase was mainly attributable to foreign exchange loss of approximately RMB10.5 million arising from settlement of USD due to USD strengthened against RMB.

Finance costs

Our finance costs before capitalisation increased by approximately RMB2.7 million from approximately RMB3.5 million for FY2017 to approximately RMB6.2 million for FY2018, mainly due to the increase in our bank borrowings. For FY2017 and FY2018, we capitalised interest of approximately RMB0.4 million and RMB3.0 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 remained stable at approximately RMB3.2 million and RMB3.2 million for FY2017 and FY2018, respectively.

Income tax expense

Our income tax expense increased by approximately RMB4.9 million from approximately RMB 8.1 million for FY2017 to approximately RMB13.0 million for FY2018. Such increase was in line with the increase in profit before tax. Our effective tax rate was approximately 17.3% and 14.4% for FY2017 and FY2018, respectively. The decrease in our effective tax rate was mainly due to decrease in expense not deductible for tax.

Profit for the year from continuing operations

For the foregoing reasons, our profit for the year from continuing operations increased significantly by approximately RMB38.5 million from approximately RMB38.6 million for FY2017 to approximately RMB77.1 million for FY2018. Our net profit margin for continuing operations increased from approximately 12.6% for FY2017 to approximately 15.0% for FY2018.

FY2017 compared with FY2016

Revenue

Our revenue increased by approximately RMB90.0 million or 41.4% from approximately RMB217.4 million for FY2016 to approximately RMB307.4 million for FY2017. The increase was mainly due to the increase in revenue generated from sale of products of tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, offset by the decrease in revenue from the provision of processing services. For detailed analysis, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Revenue" in this section.

Cost of sales

Our cost of sales increased by approximately RMB54.3 million or 32.8% from approximately RMB165.7 million for FY2016 to approximately RMB220.0 million for FY2017. Such increase was mainly attributable to the increase in raw material costs which was generally in line with the increase in our purchase. Our raw materials costs as a percentage of our total cost of sales remained stable at approximately 88.9% and 89.3% for FY2016 and FY2017, respectively.

Our raw materials cost amounted to approximately RMB147.2 million and RMB196.5 million for FY2016 and FY2017, respectively, representing approximately 73.9% and 67.1% of our revenue generated from sale of products, respectively.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB35.5 million or 68.5% from approximately RMB51.8 million for FY2016 to approximately RMB87.3 million for FY2017, mainly driven by the increase in our revenue.

Our gross profit margin increased from approximately 23.8% for FY2016 to approximately 28.4% for FY2017. Such increase was mainly driven by the increase in our average selling price of pentoxide products and potassium heptafluorotantalate.

Other income and gains

Our other income and gains decreased by approximately RMB2.4 million from approximately RMB4.2 million for FY2016 to approximately RMB1.8 million for FY2017 primarily because we did not recognise any fair value gains on derivative financial instruments for FY2017.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB0.5 million from approximately RMB1.8 million for FY2016 to approximately RMB2.3 million for FY2017. Such increase was mainly attributable to the increase in staff costs of approximately RMB0.1 million from approximately RMB0.3 million for FY2016 to approximately RMB0.4 million for FY2017 while our distribution costs remained stable at approximately RMB1.1 million and RMB1.1 million for FY2016 and FY2017, respectively.

Our increase in staff costs was mainly due to the increase in number of employees.

Our distribution costs as a percentage of our revenue generated from sale of products remained stable at approximately 0.5% and 0.4% for FY2016 and FY2017, respectively.

Administrative expenses

Our administrative expenses increased by approximately RMB12.0 million from approximately RMB22.0 million for FY2016 to approximately RMB34.0 million for FY2017. Such increase was mainly attributable to (i) the increase in **[REDACTED]** expenses of approximately RMB5.4 million from approximately RMB1.3 million for FY2016 to approximately RMB6.7 million for FY2017; and (ii) the increase in research and development expenses of approximately RMB3.8 million from approximately RMB8.4 million for FY2016 to approximately RMB12.2 million for FY2017, mainly due to commencement of new research and development projects.

Other expenses

Our other expenses significantly increased by approximately RMB2.6 million from approximately RMB0.5 million for FY2016 to approximately RMB3.1 million for FY2017. Such increase was mainly due to the fair value loss on derivative financial instruments of approximately RMB2.5 million.

Finance costs

Our finance costs before capitalisation increased by approximately RMB0.9 million from approximately RMB2.7 million for FY2016 to approximately RMB3.6 million for FY2017, mainly due to the increase in our bank borrowings. For FY2017, we capitalised interest of approximately RMB0.4 million in respect of the interest that was directly attributable to the construction of our production facilities.

Income tax expense

Our income tax expense increased by approximately RMB3.8 million from approximately RMB4.3 million for FY2016 to approximately RMB8.1 million for FY2017, and our effective tax rate increased from approximately 15.1% for FY2016 to 17.3% for FY2017. The increases in our income tax expense and effective tax rate were mainly as a result of an increase in **[REDACTED]** expenses which was not deductible for tax.

Profit for the year from continuing operations

For the foregoing reasons, our profit for the year from continuing operations increased by approximately RMB13.9 million from approximately RMB24.7 million for FY2016 to approximately RMB38.6 million for FY2017, and our net profit margin for continuing operations increased from approximately 11.3% for FY2016 to approximately 12.6% for FY2017.

4M2019 compared to 4M2018

Revenue

Our revenue increased by approximately RMB66.2 million or 48.1% from approximately RMB137.6 million for 4M2018 to approximately RMB203.8 million for 4M2019. The increase was mainly due to the increase in revenue generated from sale of products of tantalum pentoxide, niobium pentoxide, potassium heptafluorotantalate and tantalum bars, offset by the decrease in revenue generated from the provision of processing services. For detailed analysis, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Revenue" in this section.

Cost of sales

Our cost of sales increased by approximately RMB56.7 million or 59.3% from approximately RMB95.6 million for 4M2018 to approximately RMB152.3 million for 4M2019. Such increase was mainly attributable to the increase in raw materials which was in line with the increase in our purchase. Our raw materials costs as a percentage of our total cost of sales remained relatively stable at approximately 92.9% and 89.7% for 4M2018 and 4M2019, respectively.

Our raw materials costs amounted to approximately RMB88.8 million and RMB136.6 million for 4M2018 and 4M2019, respectively, representing approximately 66.9% and 67.5% of our revenue generated from sale of products, respectively.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB9.5 million or 22.6% from approximately RMB42.1 million for 4M2018 to approximately RMB51.6 million for 4M2019, mainly driven by the increase in our revenue.

Our gross profit margin decreased from approximately 30.6% for 4M2018 to approximately 25.3% for 4M2019. Such increase was mainly to (i) the decrease in our average selling price of pentoxide products and potassium heptafluorotantalate; and (ii) the utilisation of our inventory as at 31 December 2018 which was purchased when the market price of our raw material was higher.

Other income and gains

Our other income and gains increased by approximately RMB2.6 million from approximately RMB1.2 million for 4M2018 to approximately RMB3.8 million for 4M2019. Such increase was mainly attributable to the increase in government subsidies of approximately RMB1.3 million from approximately RMB0.9 million for 4M2018 to approximately RMB2.2 million for 4M2019.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB0.5 million from approximately RMB1.5 million for 4M2018 to approximately RMB2.0 million for 4M2019. Such increase was mainly attributable to (i) the increase in distribution costs of approximately RMB0.4 million from approximately RMB0.6 million for 4M2018 to approximately RMB1.0 million for 4M2019; and (ii) the increase in staff costs of approximately RMB0.3 million from approximately RMB0.6 million for 4M2018 to approximately RMB0.9 million for 4M2019.

Our increase in distribution costs was generally in line with the increase in our sale of products. Our distribution costs as a percentage of our revenue generated from sale of products remained stable at approximately 0.4% and 0.5% for 4M2018 and 4M2019, respectively.

Our increase in staff costs was mainly due to the increase in number of employees.

Administrative expenses

Our administrative expenses increased by approximately RMB6.7 million from approximately RMB12.6 million for 4M2018 to approximately RMB19.3 million for 4M2019. Such increase was mainly attributable to (i) the increase in research and development expenses of approximately RMB0.3 million from approximately RMB5.4 million for 4M2018 to approximately RMB5.7 million for 4M2019; and (ii) the increase in **[REDACTED]** expenses of approximately RMB2.6 million from approximately RMB1.5 million for 4M2018 to approximately RMB4.1 million for 4M2019.

The increase in research and development expenses was mainly due to commencement of new research and development projects.

Other expenses

Our other expenses increased by approximately RMB1.1 million from approximately RMB0.4 million for 4M2018 to approximately RMB1.5 million for 4M2019. Such increase was mainly attributable to (i) the loss of disposal of property, plant and equipment of approximately RMB0.2 million; and (ii) the impairment loss of trade receivables of approximately RMB0.5 million.

Finance costs

Our finance costs before capitalisation remained relatively stable at approximately RMB1.7 million and RMB2.0 million for 4M2018 and 4M2019, respectively. For 4M2018 and 4M2019, we capitalised interest of approximately RMB0.9 million and RMB0.7 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 increased from approximately RMB0.9 million for 4M2018 to approximately RMB1.3 million for 4M2019.

Income tax expense

Our income tax expense increased by approximately RMB1.3 million from approximately RMB4.3 million for 4M2018 to approximately RMB5.6 million for 4M2019. Our effective tax rate increased from approximately 15.5% for 4M2018 to approximately 17.9% for 4M2019. The increase in our effective tax rate was mainly due to increase in expense not deductible for tax.

Profit for the period from continuing operations

For the foregoing reasons, our profit for the period from continuing operations increased by approximately RMB2.1 million from approximately RMB23.6 million for 4M2018 to approximately RMB25.7 million for 4M2019. Our net profit margin for continuing operations decreased from approximately 17.2% for 4M2018 to approximately 12.6% for 4M2019.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

During the Track Record Period, we financed our operations by cash generated from operating activities and bank borrowings. As at 30 April 2019, we had cash and cash equivalents of approximately RMB55.8 million. In the future, we intend to finance our operations by cash generated from operating activities, bank borrowings and **[REDACTED]** from the **[REDACTED]**.

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. As at 30 June 2019, we had unutilised banking facilities of approximately RMB103.2 million.

Taking into account the financial resources available to us, including our existing cash and cash equivalents, availability of bank facilities, estimated **[REDACTED]** from the **[REDACTED]** 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 document.

Cash flows

The following table sets forth a summary of our cash flows for the years/periods indicated:

	FY2016	FY2017	FY2018	4M2018	4M2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash generated from/(used in) operating activities	15	(19,580)	50,001	(97,568)	(7,167)
Net cash used in investing activities	(5,313)	(28,342)	(32,916)	(3,390)	(9,045)
Net cash generated from/(used in) financing activities	9,849	68,959	42,508	82,430	(26,295)
Net increase/(decrease) in cash and cash equivalents	4,551	21,037	59,593	(18,528)	(42,507)
Effect of foreign exchange rate changes, net	—	(163)	2,061	(506)	(949)
Cash and cash equivalents at beginning of year/period	12,145	16,696	37,570	37,570	99,224
Cash and cash equivalents at end of year/period	16,696	37,570	99,224	18,536	55,768

We recorded net cash used in operating activities for FY2017, 4M2018 and 4M2019. For the associated risk, please refer to the paragraph headed "Risk Factors — We had net cash used in operating activities for FY2017 and 4M2019, and we may have difficulty meeting our payment obligations if we continue to record net cash used in operating activities in the future." in this document. On the other hand, we recorded net cash used in investing activities for all years/periods presented, and net cash generated from financing activities for FY2016, FY2017, FY2018 and 4M2018 and first recorded net cash used in financing activities for 4M2019.

Our cash and cash equivalents amounted to approximately RMB37.6 million and RMB99.2 million as at 31 December 2017 and 31 December 2018, respectively, representing an increase of approximately RMB61.6 million. Such increase was mainly due to the net cash generated from operating activities and financing activities outweighed the net cash used in investing activities.

Our cash and cash equivalents amounted to approximately RMB16.7 million and RMB37.6 million as at 31 December 2016 and 31 December 2017, respectively, representing an increase of approximately RMB20.9 million. Such increase was mainly due to the net cash generated from financing activities outweighed the net cash used in operating and investing activities.

Our cash and cash equivalents amounted to approximately RMB55.8 million as at 30 April 2019, representing a decrease of approximately RMB43.4 million from as at 31 December 2018. Such decrease was mainly due to net cash used in operating, investing and financing activities.

Net cash generated from/(used in) operating activities

For 4M2019, we had net cash used in operating activities of approximately RMB7.2 million, primarily reflecting (i) profit before tax from continuing operations of approximately RMB31.3 million; (ii) positive adjustments before movement in working capital of approximately RMB5.8 million, which primarily reflected depreciation of approximately RMB3.0 million; and (iii) negative movements in working capital of approximately RMB39.8 million, which primarily reflected an increase in trade and bills receivables of approximately RMB81.2 million, offset by a decrease in inventories of approximately RMB56.6 million.

For FY2018, we had net cash generated from operating activities of approximately RMB50.0 million, primarily reflecting: (i) profit before tax from continuing operations of approximately RMB90.1 million; (ii) positive adjustments before movement in working capital of approximately RMB10.4 million, which primarily reflected depreciation of approximately RMB5.3 million; and (iii) negative movements in working capital of approximately RMB40.9 million, which primarily reflected an increase in inventories of approximately RMB87.7 million, offset by a decrease in prepayments, deposits and other receivables of approximately RMB33.4 million.

For FY2017, we had net cash used in operating activities of approximately RMB19.6 million, primarily reflecting: (i) profit before tax from continuing operations of approximately RMB46.6 million; (ii) positive adjustments before movements in working capital of approximately RMB11.4 million, which primarily reflected depreciation of approximately RMB5.5 million; and (iii) negative movements in working capital of approximately RMB71.4 million, which primarily reflected: (a) an increase in inventories of approximately RMB49.8 million; (b) an increase in prepayments, deposits and other receivables of approximately RMB45.4 million; and (c) a decrease in an amount due to a related company of approximately RMB40.7 million, partially offset by a decrease in amounts due from related companies of approximately RMB56.5 million.

For FY2016, we had net cash generated from operating activities of approximately RMB15,000, primarily reflecting: (i) profit before tax from continuing operations of approximately RMB28.9 million; (ii) positive adjustments before movements in working capital of approximately RMB7.1 million, which primarily reflected depreciation of approximately RMB5.8 million; and (iii) negative movements in working capital of approximately RMB32.1 million, which primarily reflected an increase in trade and bills receivables of approximately RMB26.4 million, an increase in amounts due from related companies of approximately RMB15.9 million, partially offset by an increase in other payables and accruals of approximately RMB12.6 million.

Net cash used in investing activities

For 4M2019, our net cash used in investing activities amounted to approximately RMB9.0 million, which was mainly contributed by purchases of property, plant and equipment of approximately RMB9.2 million, offset by interest received of approximately RMB0.2 million.

For FY2018, our net cash used in investing activities amounted to approximately RMB32.9 million, which was mainly contributed by purchases of property, plant and equipment of approximately RMB31.0 million.

For FY2017, our net cash used in investing activities amounted to approximately RMB28.3 million, which was mainly contributed by purchases of property, plant and equipment of approximately RMB18.3 million.

For FY2016, our net cash used in investing activities amounted to RMB5.3 million, which was mainly contributed by purchases of property, plant and equipment of approximately RMB5.6 million.

Net cash generated from/(used in) financing activities

For 4M2019, our net cash used in financing activities amounted to approximately RMB26.3 million, which was mainly contributed by the repayment of bank borrowings of approximately RMB94.0 million, offset by the proceeds from bank borrowings of approximately RMB69.3 million.

For FY2018, our net cash generated from financing activities amounted to approximately RMB42.5 million, which was mainly contributed by the proceeds from bank borrowings of approximately RMB124.1 million, offset by the repayment of bank borrowings of approximately RMB78.1 million.

For FY2017, our net cash generated from financing activities amounted to approximately RMB69.0 million, which was mainly contributed by the proceeds from bank borrowings of approximately RMB146.4 million, offset by repayment of bank borrowings of approximately RMB74.4 million.

For FY2016, our net cash generated from financing activities amounted to approximately RMB9.8 million, which was mainly contributed by the proceeds from new bank borrowings of approximately RMB60.8 million and deemed contribution by Mr. Wu of approximately RMB8.4 million as a result of the disposal of Jiayuan Metal, offset by repayment of bank borrowings of approximately RMB56.4 million. For details of the disposal of Jiayuan Metal, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Acquisition and disposal of Jiayuan Metal" in this document.

Net current assets

	As at 31 December			As at 30 April	As at 30 June
	2016	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*
Current assets					
Inventories	25,918	75,673	162,722	105,630	114,528
Trade and bills receivables	55,149	71,235	68,684	151,140	106,876
Prepayments, deposits and other receivables	21,339	65,402	34,633	43,639	83,755
Amount due from related companies	56,487	—	—	—	—
Financial assets at fair value through profit or loss	919	—	—	—	—
Cash and cash equivalents	16,696	37,570	99,224	55,768	76,724
Total current assets	176,508	249,880	365,263	356,177	381,883
Current liabilities					
Trade payables	6,325	20,343	39,558	30,515	58,061
Other payables and accruals	16,338	27,250	22,651	24,254	25,806
Interest-bearing bank borrowings	30,081	46,721	99,564	74,840	52,979
Amount due to a related company	40,669	—	—	—	—
Financial liabilities at fair value through profit or loss	—	753	80	—	—
Lease liabilities	335	352	979	874	851
Tax payable	1,257	3,046	6,509	7,593	7,277
Total current liabilities	95,005	98,465	169,341	138,076	144,974
Net current assets	**81,503**	**151,415**	**195,922**	**218,101**	**236,909**

Our net current assets increased from approximately RMB81.5 million as at 31 December 2016 to approximately RMB151.4 million as at 31 December 2017. The increase in our net current assets was mainly driven by the increase in our current assets from approximately RMB176.5 million as at 31 December 2016 to approximately RMB249.9 million as at 31 December 2017. The increase in our current assets during FY2017 was mainly attributable to (i) increase in inventory in line with our expansion; (ii) increase in prepayments, deposits and other receivables mainly due to the increase of our prepayments to our suppliers; (iii) increase in cash and cash equivalents mainly generated from our financing activities, offset by the settlement of our amounts due from related companies.

Our net current assets increased from approximately RMB151.4 million as at 31 December 2017 to approximately RMB195.9 million as 31 December 2018. The increase in our net current assets was mainly driven by the increase in our current assets from approximately RMB249.9 million as at 31 December 2017 to approximately RMB365.3 million as at 31 December 2018. The increase in our current assets during FY2018 was mainly attributable to (i) the increase in inventory in line with our expansion and due to our anticipated suspension of production for 4M2019; and (ii) the increase in cash and cash equivalents mainly generated from our operating and financing activities.

Our net current assets increased from approximately RMB195.9 million as at 31 December 2018 to approximately RMB218.1 million as at 30 April 2019. The increase in our net current assets was mainly driven by the decrease in our current liabilities from approximately RMB169.3 million as at 31 December 2018 to approximately RMB138.1 million as at 30 April 2019. The decrease in our current liabilities during 4M2019 was mainly attributable to (i) the decrease in trade payables mainly due to settlement with our suppliers; and (ii) the decrease in bank borrowings mainly due to our repayment.

Our net current assets increased from approximately RMB218.1 million as at 30 April 2019 to approximately RMB236.9 million as at 30 June 2019. The increase in our net current assets was mainly driven by the increase in our current assets from approximately RMB356.2 million as at 30 April 2019 to approximately RMB381.9 million as at 30 June 2019, which outweighed the increase in current liabilities from approximately RMB138.1 million as at 30 April 2019 to approximately RMB145.0 million as at 30 June 2019. The increase in our current assets during the two months ended 30 June 2019 was mainly attributable to the increase in prepayments, deposits and other receivables and cash and cash equivalents, offset by the decrease in trade and bills receivables. The increase in our current liabilities during the two months ended 30 June 2019 was mainly attributable to the increase in trade payables, offset by the decrease of bank borrowings.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our consolidated statements of financial position as at the dates indicated, which are extracted from the Accountants' Report:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	35,499	48,334	73,541	79,552
Right-of-use assets	11,706	21,502	26,993	26,414
Prepayments	8,604	9,951	7,285	5,562
Total non-current assets	55,809	79,787	107,819	111,528
Current assets				
Inventories	25,918	75,673	162,722	105,630
Trade and bills receivables	55,149	71,235	68,684	151,140
Prepayments, deposits and other receivables	21,339	65,402	34,633	43,639
Amount due from related companies	56,487	—	—	—
Financial assets at fair value through profit or loss	919	—	—	—
Cash and cash equivalents	16,696	37,570	99,224	55,768
Total current assets	176,508	249,880	365,263	356,177
Current liabilities				
Trade payables	6,325	20,343	39,558	30,515
Other payables and accruals	16,338	27,250	22,651	24,254
Interest-bearing bank borrowings	30,081	46,721	99,564	74,840
Amount due to a related company	40,669	—	—	—
Financial liabilities at fair value through profit or loss	—	753	80	—
Lease liabilities	335	352	979	874
Tax payable	1,257	3,046	6,509	7,593
Total current liabilities	95,005	98,465	169,341	138,076
Net current assets	**81,503**	**151,415**	**195,922**	**218,101**
Total assets less current liabilities	**137,312**	**231,202**	**303,741**	**329,629**
Non-current liabilities				
Interest-bearing bank borrowings	—	55,300	48,509	48,509
Lease liabilities	1,286	938	3,710	3,560
Total non-current liabilities	1,286	56,238	52,219	52,069
Net assets	136,026	174,964	251,522	277,560
Equity				
Share capital	—	—	—	—
Reserves	136,026	174,964	251,522	277,560
Total equity	136,026	174,964	251,522	277,560

DESCRIPTION OF CERTAIN LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

Our total assets increased from approximately RMB232.3 million as at 31 December 2016 to approximately RMB329.7 million as at 31 December 2017, and further increased to approximately RMB473.1 million as at 31 December 2018. Our total assets decreased slightly to approximately RMB467.7 million as at 30 April 2019. The principal components of our total assets were property, plant and equipment, inventories and trade and bills receivables, the total of which constituted approximately 50.2%, 59.2%, 64.5% and 71.9% of our total assets as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, respectively.

Property, plant and equipment

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

The carrying amount of our property, plant and equipment increased by approximately RMB12.8 million from approximately RMB35.5 million as at 31 December 2016 to approximately RMB48.3 million as at 31 December 2017. Such increase was mainly driven by the increase in construction progress in respect of our new production facilities.

The carrying amount of our property, plant and equipment increased by approximately RMB25.2 million from approximately RMB48.3 million as at 31 December 2017 to approximately RMB73.5 million as at 31 December 2018. Such increase was mainly driven by the increase in buildings and plant and machinery transferred from construction in progress in respect of our new production facilities.

The carrying amount of our property, plant and equipment increased by approximately RMB6.1 million from approximately RMB73.5 million as at 31 December 2018 to approximately RMB79.6 million as at 30 April 2019. Such increase was mainly driven by the increase in plant and machinery transferred from construction in progress in respect of our new production facilities.

For details of the expansion of our production facilities, please refer to the paragraph headed "Business — Production facilities" in this document.

Right-of-use assets

Our right-of-use assets comprised our leased properties and prepaid land lease payments. The following table sets forth the breakdown of our right-of-use assets as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Leased properties	1,556	1,202	4,592	4,175
Prepaid land lease payments	10,150	20,300	22,401	22,239
Total right-of-use assets	11,706	21,502	26,993	26,414

Leased properties

Our leased properties are recognised following our adoption of HKFRS 16 and mainly represented our offices and workshop. Our leased properties decreased from approximately RMB1.6 million as at 31 December 2016 to approximately RMB1.2 million as at 31 December 2017 to approximately RMB4.6 million as at 31 December 2018 to approximately RMB4.2 million as at 30 April 2019, mainly due to our rental payment.

During the Track Record Period, we leased certain units in the PRC from Mr. Wu Pingfang and a unit in Hong Kong from Jiawei Resources Limited for use as our workshop. For details, please refer to the section headed "Connected Transactions" in this document.

Prepaid land lease payments

Our prepaid land lease payments represented the prepaid land lease payments in respect of our production facilities in Yingde, Guangdong Province, the PRC. The following table sets forth the movement of our prepaid land lease payments during the years/period indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year/period	10,374	10,150	20,300	22,401
Additions	—	10,432	2,541	—
Less: Amortisation	(224)	(282)	(440)	(162)
Carrying amount at end of the year/period	10,150	20,300	22,401	22,239

Inventories

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

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	12,656	36,679	68,979	57,800
Work in progress	8,793	19,750	37,151	16,302
Finished goods	4,469	19,244	56,592	31,528
Total inventories	**25,918**	**75,673**	**162,722**	**105,630**
Average inventories[(1)]	29,612	50,796	119,198	134,176
Average inventories to revenue from sale of products[(2)]	14.9%	17.3%	23.6%	22.1%

Notes:

(1) Represents the average of inventory as at 31 December of the previous year and 31 December of the current year. For average inventory as at 30 April 2019, it represents the average of inventories as at 31 December 2018 and as at 30 April 2019.

(2) Represents the average of inventories divided by the revenue generated from sale of products for the relevant year/period. For the purpose of illustration, the average of inventories to revenue from sale of products for 4M2019 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2019.

Our inventories increased from approximately RMB25.9 million as at 31 December 2016 to approximately RMB75.7 million as at 31 December 2017, and further increased to approximately RMB162.7 million as at 31 December 2018. Our inventory decreased from approximately RMB162.7 million as at 31 December 2018 to approximately RMB105.6 million as at 30 April 2019.

Our average inventory to revenue from sale of products was approximately 14.9%, 17.3%, 23.6% and 22.1% for FY2016, FY2017, FY2018 and 4M2019, respectively. During FY2018, in view of (i) our expanded production capacity; and (ii) our anticipated suspension of production for 4M2019, we increased our purchase of raw materials and recorded a sharp increase in our inventory to approximately RMB162.7 million as at 31 December 2018, as compared with approximately RMB75.7 million as at 31 December 2017. During 4M2019, our production facilities were closed for 25 days during 4M2019. Since we needed to test the machinery acquired during the expansion of our production facilities and our total production volume of pentoxide products and potassium heptafluorotantalate in FY2018 increased, our Directors considered that it was necessary to have a longer downtime than the past years for testing of new machinery and routine repair and maintenance in February 2019. For details, please refer to the paragraph headed "Business — Production facilities — Major asset and equipment" in this document. During 4M2019, we utilised our excess inventory as at 31 December 2018, and as a result, (i) our sales volume of pentoxide products and potassium heptafluorotantalate exceeded our total production volume for 4M2019; and (ii) our inventory as at 30 April 2019 decreased to approximately RMB105.6 million.

The following is an ageing analysis of inventories as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one month	22,413	63,799	91,155	53,429
One to two months	3,505	9,299	50,155	37,271
Two to three months	—	61	14,454	4,531
Over three months	—	2,514	6,958	10,399
Total inventories	**25,918**	**75,673**	**162,722**	**105,630**

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

	FY2016	FY2017	FY2018	4M2019
	(days)	(days)	(days)	(days)
Average inventory turnover days[(1)]	65.2	84.3	124.5	107.2

Note:

(1) Average inventory turnover days equal 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. For the purpose of illustration, average inventory turnover days for 4M2019 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2019.

Our average inventory turnover days increased from approximately 65.2 days for FY2016 to approximately 84.3 days for FY2017, and further increased to approximately 124.5 days for FY2018. The increase was mainly due to the increase of our inventory in view of our expanded production capacity and our anticipated suspension of production for 4M2019. For 4M2019, our annualised average inventory turnover days was approximately 107.2 days.

As at 31 July 2019, approximately RMB98.9 million, or 93.7%, of our inventories as at 30 April 2019 were subsequently consumed.

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 Track Record Period. The following table sets forth the breakdown of our trade and bills receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	39,186	37,679	31,691	97,951
Bills receivables	15,963	33,556	36,993	53,189
Total trade and bills receivables	**55,149**	**71,235**	**68,684**	**151,140**
Average trade and bills receivables[(1)]	39,101	63,192	69,960	109,912
Average trade and bills receivables to total revenue[(2)]	18.0%	20.6%	13.6%	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. For average trade and bills receivables as at 30 April 2019, it represents the average of trade and bills receivables of 31 December 2018 and as at 30 April 2019.

(2) Represents the average of trade and bills receivables divided by total revenue for the relevant year/period. For the purpose of illustration, the average of trade ad bills receivables to total revenue for 4M2019 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2019.

Our trade and bills receivables increased from approximately RMB55.1 million as at 31 December 2016 to approximately RMB71.2 million as at 31 December 2017. Such increase was mainly due to the increase of our revenue. Our trade and bills receivables decreased from approximately RMB71.2 million as at 31 December 2017 to approximately RMB68.7 million as at 31 December 2018. Such decrease was mainly because we utilised our bills receivables for repaying our bank borrowings during 4M2019. Our

trade and bills receivables increased from approximately RMB68.7 million as at 31 December 2018 to approximately RMB151.1 million as at 30 April 2019. Such increase was mainly due to the increase of our revenue.

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

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

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one month	34,097	63,040	47,348	99,250
One to two months	1,876	5,754	1,540	30,151
Two to three months	11,920	600	2,265	10,838
Over three months	7,256	1,841	17,531	10,901
Total trade and bills receivables	**55,149**	**71,235**	**68,684**	**151,140**

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. As at the end of each of the Track Record Period, the expected credit loss rate for our Group's trade and bills receivables is minimal for all the above bands of trade and bills receivables.

The following table sets forth the average turnover days of our trade and bills receivables for the years/period indicated:

	FY2016	FY2017	FY2018	4M2019
	(days)	(days)	(days)	(days)
Average turnover days of trade and bills receivables[(1)]	65.6	75.0	49.6	65.6

Note:

(1) 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. For the purpose of illustration, average turnover days of trade and bill receivables for 4M2019 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2019.

The average turnover days of our trade and bills receivables remained relatively stable approximately 65.6 days and 75.0 days for FY2016 and FY2017, respectively. Our average turnover days of trade and bills receivables decreased from 75.0 days for FY2017 to 49.6 days for FY2018, mainly because we utilised our bills receivables for repaying our bank borrowings during 4M2019. For 4M2019, the annualised average turnover days of our trade and bill receivables was 65.6 days.

As at 31 July 2019, approximately RMB97.1 million, or 64.3%, of our trade and bills receivables as at 30 April 2019 were subsequently settled.

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 the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	28,174	69,420	37,652	40,607
Deposits and other receivables	1,769	5,933	4,266	8,594
Total prepayments, deposits and other receivables	**29,943**	**75,353**	**41,918**	**49,201**

Our prepayments, deposits and other receivables increased from approximately RMB29.9 million as at 31 December 2016 to approximately RMB75.4 million as at 31 December 2017, mainly driven by the increase in prepayments to suppliers and increase in prepayment for land use rights. Our prepayments, deposits and other receivables decreased from approximately RMB75.4 million as at 31 December 2017 to approximately RMB41.9 million as at 31 December 2018 mainly driven by the decrease in prepayments to suppliers and decrease in prepayment for land use right. Our prepayments, deposits and other receivables increased from approximately RMB41.9 million as at 31 December 2018 to approximately RMB49.2 million as at 30 April 2019, mainly driven by prepaid **[REDACTED]** and prepayments to suppliers.

Trade payables

Our trade payables increased from approximately RMB6.3 million as at 31 December 2016 to approximately RMB20.3 million as at 31 December 2017, and further increased to approximately RMB39.6 million as at 31 December 2018, mainly due to our increased purchases of raw materials to facilitate the increased sales orders. Our trade payables decreased from approximately RMB39.6 million as at 31 December 2018 to approximately RMB30.5 million as at 30 April 2019 mainly due to decrease in purchase during 4M2019 as we consumed our inventory carried forward from as at 31 December 2018.

The following is an ageing analysis of trade payables, based on the invoice date, as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one month	5,958	5,042	20,251	21,098
One to two months	143	14,358	16,679	5,089
Two to three months	5	5	322	45
Over three months	219	938	2,306	4,283
Total trade payables	**6,325**	**20,343**	**39,558**	**30,515**

Our trade payables were non-interest-bearing and normally settled with terms of 60 days.

The following table sets forth the average turnover days of our trade payables for the years/period indicated:

	FY2016	FY2017	FY2018	4M2019
	(days)	(days)	(days)	(days)
Average turnover days of trade payables[(1)]	15.4	22.1	31.3	28.0

Note:

(1) 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. For the purpose of illustration, average turnover days of trade payables for 4M2019 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2019.

Our average turnover days of trade payables remained relatively stable at approximately 15.4 days, and 22.1 days for FY2016 and FY2017, respectively. Our average turnover days of trade payables increased to approximately 31.3 days for FY2018, mainly because the increase in our purchases. For 4M2019, the annualised average turnover days of our trade payables was 28.0 days.

As at 31 July 2019, approximately RMB14.0 million, or 45.9%, of our trade payables as at 30 April 2019 were subsequently settled.

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 **[REDACTED]**. 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 the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Accruals	6,297	16,508	13,204	13,879
Deferred income	7,075	6,639	5,481	9,005
Contract liabilities	1,294	2,892	1,873	45
Other payables	1,672	1,211	2,093	1,325
Total other payables and accruals	**16,338**	**27,250**	**22,651**	**24,254**

Our other payables and accruals increased from approximately RMB16.3 million as at 31 December 2016 to approximately RMB27.3 million as at 31 December 2017. Such increase was mainly driven by the increase in accrued **[REDACTED]**.

Our other payables and accruals decreased from approximately RMB27.3 million as at 31 December 2017 to approximately RMB22.7 million as at 31 December 2018. Such decrease was mainly driven by the decrease in accrued **[REDACTED]**, partially offset by the increase in accrued staff costs.

Our other payables and accruals increased from approximately RMB22.7 million as at 31 December 2018 to approximately RMB24.3 million as at 30 April 2019. Such increase was mainly driven by the increase in deferred income as a result of increased receipt of government grant.

Bank borrowings

Bank borrowings were our principal component of our total liabilities, constituting approximately 31.2%, 65.9%, 66.8% and 64.9% of our total liabilities as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, respectively.

The following table sets forth the breakdown of our bank borrowings by current and non-current classification as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current	—	55,300	48,509	48,509
Current	30,081	46,721	99,564	74,840
Total bank borrowings	30,081	102,021	148,073	123,349

The following table sets forth the breakdown of our bank borrowings by maturity as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year or repayable on demand	30,081	46,721	99,564	74,840
More than one year but less than two years	—	—	9,702	9,702
More than two years but less than five years	—	—	29,105	38,807
More than five years	—	55,300	9,702	—
Total bank borrowings	30,081	102,021	148,073	123,349

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

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Secured	—	55,300	55,300	51,899
Unsecured	30,081	46,721	92,773	71,450
Total bank borrowings	30,081	102,021	148,073	123,349

As at 31 December 2017, 31 December 2018 and 30 April 2019, our bank borrowings were secured by the pledge of certain of our Group's leasehold land with an aggregate carrying amount of approximately RMB9.9 million, RMB9.7 million and RMB9.6 million, respectively.

During the Track Record Period, our bank borrowings included guaranteed and unguaranteed bank borrowings. The following table sets forth the breakdown of our bank borrowings by guaranteed and unguaranteed bank borrowings as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Guaranteed	30,081	46,721	92,773	71,450
Unguaranteed	—	55,300	55,300	51,899
Total bank borrowings	30,081	102,021	148,073	123,349

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, Mr. Wu guaranteed certain of our Group's bank borrowings of up to approximately RMB300.0 million, RMB397.0 million, RMB447.0 million and RMB487.0 million, respectively. As at 31 December 2016, 31 December 2017 and 31 December 2018, MACRO-LINK Holding guaranteed certain of our Group's bank borrowings of up to approximately RMB215.0 million, RMB215.0 million and RMB38.0 million,

respectively. As at 31 December 2018 and 30 April 2019, Mr. Wu and Guangdong Yuanwei jointly guaranteed certain of our Group's bank borrowings of up to approximately RMB50.0 million and RMB50.0 million, respectively.

Our total bank borrowings increased by approximately RMB71.9 million from approximately RMB30.1 million as at 31 December 2016 to approximately RMB102.0 million as at 31 December 2017, and further increased to approximately RMB148.1 million as at 31 December 2018. Such increase was mainly due to our new bank borrowings to finance our business expansion. Our total bank borrowings decreased from approximately RMB148.1 million as at 31 December 2018 to approximately RMB123.3 million as at 30 April 2019. Such decrease was mainly due to our repayment.

SELECTED FINANCIAL RATIOS

The following tables set forth certain key financial ratios as at/for the years ended 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019:

	As at/For the years ended 31 December			As at/for the four months end 30 April
	2016	2017	2018	2019
Gross profit margin[(1)]	23.8%	28.4%	32.1%	25.3%
Net profit margin for continuing operations[(2)]	11.3%	12.6%	15.0%	12.6%
Return on equity[(3)]	18.1%	22.1%	30.6%	27.8%
Return on assets[(4)]	10.6%	11.7%	16.3%	16.5%
Current ratio[(5)]	1.9	2.5	2.2	2.6
Quick ratio[(6)]	1.6	1.8	1.2	1.8
Gearing ratio[(7)]	9.8%	36.8%	19.4%	24.3%
Debt to equity ratio[(8)]	22.1%	58.3%	58.9%	44.4%
Interest coverage ratio[(9)]	11.6	13.9	15.0	15.8

Notes:

(1) Gross profit margin represents gross profit for the year/period divided by total revenue for the respective year/period.

(2) Net profit margin for continuing operations represents net profit for the year/period from continuing operations divided by total revenue for the respective year/period.

(3) Return on equity represents profit for the year/period from continuing operations divided by total equity as at the end of a year/period. For the purpose of illustration, return on equity for 4M2019 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2019.

(4) Return on assets represents profit for the year/period from continuing operations divided by total assets as at the end of a year/period. For the purpose of illustration, return on assets for 4M2019 is calculated on an annualised basis, and may not represent the ratio for the year ending 31 December 2019.

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

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

(7) Gearing ratio represents total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of a year/period.

(8) Debt to equity ratio represents total interest-bearing bank borrowings divided by total equity as at the relevant year/period end.

(9) Interest coverage ratio represents profit before interest and tax divided by finance costs before capitalisation for the relevant year/period.

Gross profit margin

Our gross profit margin was approximately 23.8%, 28.4%, 32.1% and 25.3% for FY2016, FY2017, FY2018 and 4M2019, respectively. For analysis of our gross profit margin, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss — Gross profit and gross profit margin" in this section.

Net profit margin for continuing operations

Our net profit margin for continuing operations was approximately 11.3%, 12.6%, 15.0% and 12.6% for FY2016, FY2017, FY2018 and 4M2019, respectively. Please refer to the paragraphs headed "Review of results of operations" in this section.

Return on equity

Our return on equity increased from approximately 18.1% for FY2016 to approximately 22.1% for FY2017 and further increased to approximately 30.6% for FY2018. Such increase in return on equity were mainly driven by the increase in our net profit for FY2016, FY2017 and FY2018 as a result of the increase in our revenue.

For 4M2019, our annualised return on equity was approximately 27.8%.

Return on assets

Our return on assets increased from approximately 10.6% for FY2016 to approximately 11.7% for FY2017 and further increased to approximately 16.3% for FY2018. The increases in return on assets were mainly driven by the increase in our net profit for FY2016, FY2017 and FY2018 as a result of the increase in our revenue.

For 4M2019, our annualised return on assets was approximately 16.5%.

Current ratio

Our current ratio was approximately 1.9, 2.5, 2.2 and 2.6 as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, respectively. For analysis of our net current assets, please refer to the paragraph headed "Liquidity and capital resources — Net current assets" in this section.

Quick ratio

Our quick ratio was approximately 1.6, 1.8, 1.2 and 1.8 as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, respectively. The decrease in our quick ratio as at 31 December 2018 was mainly due to the increase in our inventory in view of (i) our expanded production capacity; and (ii) our anticipated suspension of production for 4M2019. During 4M2019, we utilised our excess inventory as at 31 December 2018, and as a result our quick ratio restored to approximately 1.8 as at 30 April 2019.

Gearing ratio

Our gearing ratio increased significantly from approximately 9.8% as at 31 December 2016 to approximately 36.8% as at 31 December 2017, mainly due to the increase in our bank borrowings to finance the expansion of our production facilities. Our gearing ratio further decreased from approximately 36.8% as at 31 December 2017 to approximately 19.4% as at 31 December 2018, mainly due to the increase in our cash and cash equivalent and equity. Our gearing ratio increased from approximately 19.4% as at 31 December 2018 to approximately 24.3% as at 30 April 2019, mainly due to the decrease in our bank borrowings as a result of our repayment.

Debt to equity ratio

Our debt to equity ratio increased from approximately 22.1% as at 31 December 2016 to approximately 58.3% as at 31 December 2017, mainly due to the increase in our bank borrowings to finance the expansion of our production facilities. Our debt to equity ratio remained stable at approximately 58.3% and 58.9% as at 31 December 2017 and 31 December 2018, respectively. Our debt-to equity ratio decreased from approximately 58.9% as at 31 December 2018 to approximately 44.4% as at 30 April 2019, mainly the decrease in our bank borrowings as a result of our repayment.

Interest coverage ratio

Our interest coverage ratio increased from approximately 11.6 times for FY2016 to approximately 13.9 times for FY2017 and further increased to approximately 15.0 times for FY2018, due to an increase in profit before interest and tax. For 4M2019, our interest coverage ratio was approximately 15.8 times.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprised expenditures for purchases of property, plant and equipment. Our capital expenditures amounted to approximately RMB4.6 million, RMB18.3 million, RMB31.0 million and RMB9.2 million for FY2016, FY2017, FY2018 and 4M2019, 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.

INDEBTEDNESS

Our indebtedness comprised bank borrowings and lease liabilities. The following table sets forth our indebtedness as at the dates indicated:

	As at 31 December			As at 30 April	As at 30 June
	2016	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*
Bank borrowings:					
— Current	30,081	46,721	99,564	74,840	52,979
— Non-current	—	55,300	48,509	48,509	48,509
	30,081	102,021	148,073	123,349	101,488
Lease liabilities:					
— Current	335	352	979	874	851
— Non-current	1,286	938	3,710	3,560	3,533
	1,621	1,290	4,689	4,434	4,384
Total indebtedness	31,702	103,311	152,762	127,783	105,872

As at 30 June 2019, being the latest practicable date for the purpose of this indebtedness statement, our total indebtedness amounted to approximately RMB105.9 million.

Our bank borrowings bear interest at rates ranging from 1.6% to 4.4%, 2.1% to 5.9%, 3.0% to 5.4% and 3.4% to 5.4% per annum, respectively, as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019.

As at 30 June 2019, we had unutilised banking facilities of approximately RMB103.2 million. Our Directors are of the view that we will unlikely have difficulty in the drawdown of such banking facilities.

As at 30 June 2019, save as disclosed above, our Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, hire purchase commitments, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital commitments

The following table sets forth our capital commitments, other than the operating lease commitments disclosed below, as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
Plant and equipment	1,414	7,268	10,053	7,896

RELATED PARTY TRANSACTIONS

During the Track Record Period, our major related party transactions can be classified into the following categories: (i) disposed of 100% equity interest in Jiayuan Metal on 1 July 2016 to; and (ii) paid loan guarantee fee to our related parties.

We have incurred approximately RMB1.0 million, RMB1.0 million, RMB0.4 million, RMB0.1 million and RMB0.1 million of loan guarantee fee for certain bank borrowings guaranteed by MACRO-LINK Holding for FY2016, FY2017, FY2018, 4M2018 and 4M2019, respectively. We will repay such loans, or such guarantees will be released upon **[REDACTED]**.

On 1 July 2016, we entered into the Jiayuan Metal Disposal Agreement, pursuant to which we transferred 100% equity interest in Jiayuan Metal to Fogang Jiata at a total consideration of RMB10.0 million. For details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Acquisition and disposal of Jiayuan Metal." in this document.

We had approximately RMB4.0 million in amounts due from Jiayuan Metal as at 31 December 2016. We had approximately RMB52.5 million of amounts due from Guangdong Jiana as at 2016. We had RMB40.7 million of amounts due to Fogang Jiata as at 31 December 2016. These balances were incurred due to internal capital allocation among the companies managed by Mr. Wu, were non-interest-bearing, unsecured and are repayable on demand. No sales proceeds for our revenue were collected from, nor any payments for our purchases were made by, these related parties or other third parties on behalf of our Group during the Track Record Period. We have settled all such amounts as at the Latest Practicable Date.

For details of the related party transactions, please refer to Notes 18 and 28 of the Accountants' Report set out in Appendix I to this document.

Our Directors are of the view that the related party transactions were conducted on an arm's length basis and with normal commercial terms between the relevant parties, and would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving another entity under which we have made guarantees or any obligation arising out of a material variable interest in another entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging, or research and development arrangements with us. As at 30 April 2019, we did not have any off-balance sheet arrangements.

CONTINGENT LIABILITIES

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, we did not have any material contingent liabilities or guarantees.

Save as disclosed above, and apart from intra-group liabilities, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, other than normal trade bills, or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, foreign exchange liabilities or other material contingent liabilities as at 30 April 2019.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary financial risks we face in the ordinary course of business are interest rate risk, foreign currency risk, credit risk and liquidity risk. For details, please refer to Note 34 of the Accountants' Report set out in Appendix I to this document.

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our cash and bank balances and bank borrowings with a floating interest rate. We have not used any interest rate swaps to hedge our 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 our profit before tax (through the impact on floating rate borrowings and cash and cash equivalents) during the Track Record Period:

	Increase/ (decrease) in basis points	Increase/(decrease) in profit before tax				
		FY2016	FY2017	FY2018	4M2019	4M2019
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
RMB	100	27	(240)	306	(486)	(127)
USD	100	(160)	(408)	(810)	(1,190)	(587)
HK$	100	—	—	16	—	18
RMB	(100)	(27)	240	(306)	486	127
USD	(100)	160	408	810	1,190	587
HK$	(100)	—	—	(16)	—	(18)

Foreign currency risk

We have transactional currency exposures. Such exposures arise from sales by us in currencies other than our functional currencies. For FY2016, FY2017, FY2018 and 4M2019, approximately 20.0%, 15.2%, 10.1% and 9.0% of our sales were denominated in currencies other than our functional currencies, respectively.

The following table demonstrates the sensitivity as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019 to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of our profit before tax:

	Increase/ (decrease) in foreign currency rate	Increase/(decrease) in profit before tax				
		FY2016	FY2017	FY2018	4M2019	4M2019
	%	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
If RMB weakens against USD	1	(11)	(374)	(797)	(1,204)	(587)
If RMB weakens against HK$	1	—	—	16	—	18
If RMB strengthens against USD	(1)	11	374	797	1,204	587
If RMB strengthens against HK$	(1)	—	—	(16)	—	(18)

Credit risk

The credit risk of our Group's other financial assets, which comprised cash and cash equivalents and other receivables, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. Since we only traded with recognised and creditworthy third parties, there is no requirement for collateral.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, we had certain concentration of credit risk as approximately 25.1%, 32.4%, 27.6% and 17.5% of our trade and bills receivables were due from our largest customer for FY2016, FY2017, FY2018 and 4M2019, respectively. Concentrations of credit risk are managed by establishing credit verification procedures. The management determines there are minimal concentrations of credit risk within us as the customers of our trade and bills receivables are creditworthy.

Liquidity risk

The maturity profile of our financial liabilities as at the dates indicated, based on the contractual undiscounted payments, is as follows:

	On demand or no later than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2016				
Trade payables	6,325	—	—	6,325
Other payables and accruals	1,993	—	—	1,993
Interest-bearing bank borrowings	30,551	—	—	30,551
Lease liabilities	315	518	787	1,620
Amount due to a related company	40,669	—	—	40,669
	79,853	518	787	81,158
As at 31 December 2017				
Trade payables	20,343	—	—	20,343
Other payables and accruals	17,719	—	—	17,719
Financial liabilities at fair value through profit or loss	753	—	—	753
Interest-bearing bank borrowings	50,176	45,779	19,545	115,500
Lease liabilities	338	172	780	1,290
	89,329	45,951	20,325	155,605
As at 31 December 2018				
Trade payables	39,558	—	—	39,558
Other payables and accruals	15,298	—	—	15,298
Financial liabilities at fair value through profit or loss	80	—	—	80
Interest-bearing bank borrowings	104,412	47,830	13,266	165,508
Lease liabilities	972	2,943	774	4,689
	160,320	50,773	14,040	225,133
As at 30 April 2019				
Trade payables	30,515	—	—	30,515
Other payables and accruals	15,204	—	—	15,204
Interest-bearing bank borrowings	75,859	44,387	10,522	130,768
Lease liabilities	1,003	2,659	772	4,434
	122,581	47,046	11,294	180,921

Capital management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximise Shareholders' value.

We manage our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new Shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDENDS

No dividend had been declared or distributed by our Company since its incorporation up to and including the Latest Practicable Date. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after **[REDACTED]**, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Our Company currently does not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 26 May 2017 and has not carried out any business since the date of incorporation, save for the transactions related to the Reorganisation. We had no distributable reserves available for distribution to our Shareholders as at 30 April 2019.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the paragraph headed "A. Unaudited **[REDACTED]** Statement of Adjusted Consolidated Net Tangible Assets" set out in Appendix II to this document.

PROPERTIES AND VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests at 30 June 2019. Particulars of our property interests are set out in the paragraph headed "Property Valuation Report" set out in Appendix III to this document.

The table below sets forth the reconciliation of the aggregate amount of net book value of our property interests from our consolidated financial information as at 30 April 2019 extracted from the Accountants' Report set out in Appendix in this document with the valuation of property interests as at 30 June 2019:

	RMB'000
Net book value of property interests of our Group as at 30 April 2019	
— Buildings	36,145
— Prepaid land lease payments	22,239
— Construction in progress	8,032
Net book value as at 30 April 2019	66,416
Movement for the period from 1 May 2019 to 30 June 2019	
Add: Additions to construction in progress	456
Less: Amortisation for the period (unaudited)	(611)
Depreciation for the period (unaudited)	(550)
Net book value as at 30 June 2019 (unaudited)	65,711
Valuation deficit as at 30 June 2019 (unaudited)	(6,013)
Valuation as at 30 June 2019	59,698

[REDACTED] EXPENSES

The total amount of **[REDACTED]** expenses in connection with the **[REDACTED]**, including **[REDACTED]** commissions, is estimated to be approximately **[REDACTED]** (based on the mid-point of the indicative **[REDACTED]** range). The **[REDACTED]** expenses of: (i) approximately **[REDACTED]** is directly attributable to the issue of the **[REDACTED]** and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard; and (ii) approximately **[REDACTED]** has been or is to be charged to the consolidate statements of profit or loss, of which (a) approximately **[REDACTED]**, **[REDACTED]**, **[REDACTED]** and **[REDACTED]** have been charged for FY2016, FY2017, FY2018 and 4M2019, respectively; and (b) approximately **[REDACTED]** is expected to be charged prior to or upon **[REDACTED]**. Expenses in relation to the **[REDACTED]** are non-recurring in nature.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our business remained stable after the Track Record Period. Our total sales volume for sale of products for the three months ended 31 July 2019 amounted to approximately 744.3 tonnes as compared to approximately 665.0 tonnes for 4M2019. Our sales volume of tantalum pentoxide was approximately 51.3 tonnes for the three months ended 31 July 2019, as compared to approximately 47.4 tonnes for 4M2019. Our sales volume of niobium pentoxide was approximately 301.6 tonnes for the three months ended 31 July 2019, as compared to approximately 394.9 tonnes for 4M2019. Our sales volume of potassium heptafluorotantalate was approximately 9.2 tonnes for the three months ended 31 July 2019, as compared to approximately 35.0 tonnes for 4M2019. The decrease was mainly because Customer F, being the major contributor to our sales volume of potassium heptafluorotantalate for 4M2019, did not place sales orders for potassium heptafluorotantalate with us for the three months ended 31 July 2019.

Our Group has been actively looking for land suitable for setting up our production facilities to extend our production to downstream products. In May 2019, we entered into an agreement with Qingyuan Overseas Chinese Industrial Park Administration Committee* (清遠華僑工業園管理委員會) for setting up our production facilities for downstream products in the Qingyuan Overseas Chinese Industrial Park* (清遠華僑工業園), and such land acquisition will be subject to bidding, auction or listing procedures.

Our Directors confirmed that, up to the date of this document, other than the estimated **[REDACTED]** expenses of approximately **[REDACTED]**, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since 30 April 2019.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please refer to the paragraph headed "Business — Our business strategies" in this document for a detailed description of our Group's strategies and future plans.

[REDACTED]

Assuming the **[REDACTED]** is not exercised, we estimate that we will receive **[REDACTED]** of approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**) from the **[REDACTED]**, after deducting the **[REDACTED]** commissions and other estimated expenses payable by us in connection with the **[REDACTED]**, assuming an **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of the **[REDACTED]** range stated in this document.

We intend to use such **[REDACTED]** from the **[REDACTED]** for the following purposes:

- approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) will be used to extend our production to downstream products, such as tantalum powder and tantalum bars:
  - among which approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) will be used on the construction of the new production facilities to produce tantalum powder and tantalum bars;
  - among which approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) will be used on acquiring and installing the relevant machinery and equipment to be used to produce tantalum powder and tantalum bars;
  - among which approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) will be used for other expenses relating to set up our new production facilities, including survey and design fee;
- approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) will be used to finance part of the expected cost of five of our upcoming research and development projects commencing in 2020, with a term of one to two years. For details of these research and development projects, please refer to the paragraph headed "Business — Our business strategies — Continue to devote resources on research and development projects on new products and innovative production methods";
- approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) will be used for strengthening our sales network in Europe and our sourcing channels in Brazil:
  - among which approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) will be used for setting up an office in the United Kingdom for strengthening our sales network, developing our relationship with customers and expanding our customer base in Europe and hiring one supervisor and four sales representatives to focus on the European market;

  - among which approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) will be used for setting up an office in Brazil to secure stable raw materials supply from small and medium size local mines and to hire three employees to liaise with suppliers in Brazil; and

- approximately **[REDACTED]** (equivalent to approximately **[REDACTED]** or **[REDACTED]**) will be used as our working capital and for general corporate purposes.

If the **[REDACTED]** is exercised in full, we estimate that the additional **[REDACTED]** from the **[REDACTED]** of these additional Shares will be approximately **[REDACTED]**, after deducting the **[REDACTED]** commissions and other estimated expenses payable by us in connection with the **[REDACTED]**, assuming an **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of the **[REDACTED]** range stated in this document. We intend to apply such additional **[REDACTED]** to the purposes stated above in the same proportions.

If the **[REDACTED]** is set at the high-end or low-end of the indicative **[REDACTED]** range, the **[REDACTED]** of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised, will increase by approximately **[REDACTED]** or decrease by approximately **[REDACTED]**, respectively. In such event, we will increase or decrease the allocation of the **[REDACTED]** to the above purposes on a pro-rata basis.

To the extent that the **[REDACTED]** from the **[REDACTED]** are not immediately applied to the purposes stated above, and to the extent permitted by applicable laws and regulations, we intend to deposit the **[REDACTED]** into accounts with licenced financial institutions. We will make a formal announcement in the event that there is any change in our use of **[REDACTED]** from the purposes stated above or in our allocation of the **[REDACTED]** in the proportions stated above.

REASONS FOR [REDACTED]

Our Company is seeking **[REDACTED]** in order to (i) satisfy our genuine funding needs to expand our business; (ii) enhance our corporate profile and assist in reinforcing our market reputation; (iii) provide liquidity in the trading of Shares and enable us to raise funds for future business development more easily; (iv) increase the confidence of our customers and suppliers in our Group's internal control and operating systems; and (v) attract and retain talents.

As stated in our business strategies, we aim to extend our production and sales to downstream products, which will enable us to offer a more comprehensive range of products for our customers, and to further enhance our research and development for new products and innovative production methods. The **[REDACTED]** from the **[REDACTED]** will strengthen our capital base and provide funding for achieving our business strategies and carrying out our future plans as set out in the paragraph headed "Business — Our business strategies" in this document.

Our Group was established in 2006. According to the CIC Report, we were the largest producer of tantalum and niobium hydrometallurgical products in China for FY2016, FY2017 and FY2018 in terms of total annual production volume. Our Directors believe that **[REDACTED]** would consolidate our leading position by expediting the implementation of our Group's future plans and strategies, strengthening our Group's financial position and corporate profile, and enabling us to better tackle future challenges.

Satisfy our genuine funding needs in order to expand our business

Business opportunities and growth drivers

The market for the downstream metallurgical industry is expected to grow. According to the CIC Report, the production volume of tantalum powder in the global market is expected to grow from approximately 1,456.3 tonnes in 2018 to approximately 1,826.2 tonnes in 2023, representing a CAGR of approximately 4.6%, in particular the production volume of metallurgical grade tantalum powder in the global market is expected to grow from approximately 837.1 tonnes in 2018 to approximately 1,126.1 tonnes in 2023, representing a CAGR of approximately 6.1%. The production volume of tantalum powder in PRC is also expected to grow from approximately 485.5 tonnes in 2018 to approximately 609.1 tonnes in 2023, representing a CAGR of approximately 4.6%. At the same time, according to the CIC Report, the production volume of tantalum bars in PRC is expected to grow from approximately 221.6 tonnes in 2018 to approximately 337.6 tonnes in 2023, representing a CAGR of approximately 8.8%.

According to the CIC Report, it is an industry trend for market players in tantalum and niobium metallurgy industry to achieve supply chain integration to expand their production and satisfy the demand of their potential customers. As the largest producer of tantalum and niobium hydrometallurgical products in China for FY2016, FY2017 and FY2018 in terms of total annual production volume, according to the CIC Report, and to capture the expected growth in the market for downstream products, our Directors believe that we could broaden our customer base, capture more business opportunities and increase our market share through extending our production and sales to downstream products.

Our available cash and unutilised banking facilities are only sufficient for maintaining the scale of our existing business operations

Historically, our principal source of funds was cash generated from operating activities and bank borrowings. For FY2017, 4M2018 and 4M2019 we had net cash used in operating activities of approximately RMB19.6 million, RMB97.6 million and RMB7.2 million, respectively, and thus we also needed to rely on our financing activities to generate net cash inflow. For FY2016, FY2017, FY2018 and 4M2018, we recorded net cash generated from financing activities through obtaining new bank borrowings. As at 31 December 2018, we had interest-bearing borrowings of approximately RMB148.1 million with interest rate of 3.0% to 5.4%, compared with approximately RMB102.2 million as at 31 December 2017 with interest rate of 2.1% to 5.9%, to facilitate our business expansion. As at 30 April 2019, we had interest-bearing borrowings of approximately RMB123.3 million with interest rate of 3.4% to 5.4%. As at 30 April 2019, we had banking facilities in the total sum of approximately RMB187.0 million, of which approximately RMB101.2 million was unutilised. Financial institutions would usually require borrowers to provide assets as securities for loans. As at the Latest Practicable Date, all of our self-used land had been or has to be mortgaged to a bank to secure our banking borrowings that were used to finance our expansion in 2017. Therefore, it is unlikely that we would have sufficient assets for providing securities for loans to finance the implementation of our business strategies as set out in the paragraph headed "Business — Our business strategies" in this document. Also, according to the loan agreements of our unutilised banking facilities, such banking facilities are short-term loans or their uses are restricted, and could not be used for implementation of our business strategies as set out in the paragraph headed "Business — Business strategies" in this document. In addition, there are differences

between the credit limit and the amount that we could utilise under two of our banking facilities. As at the Latest Practicable Date, for one of our banking facilities with a credit limit of RMB50.0 million, we were only allowed to utilise up to RMB30.0 million and the remaining credit limit of RMB20.0 million could only be utilised after the **[REDACTED]**. At the same time, for another banking facilities with a credit limit of RMB50.0 million, we were only allowed to utilise up to RMB20.0 million and the remaining credit limit could be utilised upon obtaining additional approval from the bank. Given (1) it is unlikely that we would have additional unpledged assets available as securities for additional loans, (2) the usage of our unutilised banking facilities is restricted; and (3) the difference between the credit limit and the amount that we could utilise, our Directors consider that we could not implement our business strategies by solely relying on our available cash and debt financing. At the same time, our Directors are of the view that **[REDACTED]** will be beneficial to our Company and our long term business development, as **[REDACTED]** will not only bring the **[REDACTED]** to fund the implementation of our business strategies, but will enhance our funding capabilities by providing us better access to the capital markets and enabling us to seek banking facilities with more favourable terms. As a result, our Group would be able to obtain more funding under both streams to fuel our long-term needs.

Provide our Group with a sustainable fundraising platform for future business development

During the Track Record Period, our capital structure consisted of debts (being bank borrowings) and equity attributable to our owners (comprising issued share capital and retained profits). Our Directors consider that the **[REDACTED]** from the **[REDACTED]** can provide us with the necessary additional financial resources, without exposing us to the high gearing ratio which would subject us to the inherent risks of higher interest rate and finance costs. Our Group's financial performance and liquidity may be negatively affected due to principal and interest payments if we proceed to fund our business expansion through debt financing. As at 30 April 2019, our gearing ratio was approximately 24.3%. However, as at the Latest Practicable Date, all of our self-used land had been or has to be mortgaged to a bank to secure our banking borrowings that was used to finance our expansion in 2017, it is unlikely that we would have sufficient assets for providing securities for additional loans until full repayment of such banking facilities.

After **[REDACTED]**, we intend to maintain our current capital structure with a mix of debt and equity financing. In determining the target capital structure after **[REDACTED]**, our Directors are of the view that equity financing is a more appropriate source since funds raised from the issue of equity are a committed source of fund and do not entail a maturity date; while debt financing can allow our Group to obtain the necessary funding for our future expansion on a more timely basis than equity financing. Going forward, we will continuously monitor our capital structure and adjust it if the needs arise.

Enhance our corporate profile and reinforce our market reputation

We consider our corporate profile and market reputation to be important factors for securing sustainable and reliable suppliers and they help broadening our customer base. A **[REDACTED]** status generally shows that our Company is adhering to higher standards of compliance and corporate governance, thus enhancing our corporate image and credibility with the public and potential business partners.

We also believe **[REDACTED]** could attract potential customers and suppliers which are more willing to establish business relationships with listed companies. It may also generate reassurance among our existing customers and suppliers.

Provide liquidity in the trading of Shares and enable us to raise funds for future business development more easily

[REDACTED] will provide us a broader shareholder base and a market for the trading of our Shares. It will also allow institutional, professional and other investors in Hong Kong to easily invest in our Company. In addition, our Directors are of the view that **[REDACTED]** will enable our Group to conduct secondary fundraising in the Hong Kong stock market, if necessary, for our further expansion in future. On the contrary, debt financing does not offer such similar advantages.

Our Directors consider that the **[REDACTED]** from the **[REDACTED]** will also facilitate us in any future debt financing, if necessary. Our Directors consider that, being a private company without a public listing status, our Company would face difficulties in obtaining debt financing without guarantees or other collateral to be provided by our Controlling Shareholders. As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, our Group's shareholders and their related parties had jointly guaranteed certain of our Group's bank borrowings up to approximately RMB515.0 million, RMB612.0 million, RMB535.0 million and RMB537.0 million, respectively. As there will be more stringent financial reporting requirements under the Listing Rules for companies with a public **[REDACTED]** status, the banks will be able to evaluate our financial position more effectively, and hence, the approval process for any future borrowings is expected to be smoothened. Thus we may be able to lower our bank financing costs for our long-term needs through **[REDACTED]**. We may enjoy more flexibility in management of our cash flow as a result of the better accessibility to the banking facilities.

Increase the confidence of our customers and suppliers in our Group

A listed company is generally subject to more stringent compliance requirements as compared to a private company. After **[REDACTED]**, generally we will also increase the transparency in our operations and financial reporting. As such, our Directors consider that a public **[REDACTED]** status will increase our customers' and suppliers' confidence in our Group's internal control and operation systems, which may further enhance our business relationship with them.

Attract and retain talents

Our Directors believe that human resources are valuable assets for the long-term growth of our business and consider that experienced and talented personnel may be more willing to work at listed companies. We believe that a **[REDACTED]** status would help attract more experienced staff and talented people to join our management team in the future, as well as retaining our existing staff. Our Directors are of the view that a **[REDACTED]** status will also improve our existing staff's work morale, thereby improving the quality of our products/research results which is beneficial to our long-term development.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By us

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already **[REDACTED]**) or enter into any agreement to issue any such Shares or securities within six months from the **[REDACTED]** (whether or not such issue of Shares will be completed within six months from the **[REDACTED]**), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

[REDACTED]

Undertakings given to the [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Ximei Resources Holding Limited
Cinda International Capital Limited

Dear Sirs,

We report on the historical financial information of Ximei Resources Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to [I-46], which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2016, 2017, 2018 and the period ended 30 April 2019 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019 and the statement of financial position of the Company as at 31 December 2017 and 2018 and 30 April 2019 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-46 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the initial **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017, 2018 and 30 April 2019 and the Company as at 31 December 2017 and 2018 and 30 April 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 9 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

[●]
Certified Public Accountants
Hong Kong

[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CONTINUING OPERATIONS						
REVENUE	*4*	217,441	307,360	514,718	137,618	203,845
Cost of sales		(165,684)	(220,016)	(349,485)	(95,562)	(152,287)
Gross profit		51,757	87,344	165,233	42,056	51,558
Other income and gains	*4*	4,186	1,842	3,016	1,202	3,785
Selling and distribution expenses		(1,791)	(2,277)	(5,688)	(1,517)	(1,983)
Administrative expenses		(21,979)	(33,991)	(56,900)	(12,564)	(19,254)
Other expenses		(524)	(3,087)	(12,368)	(368)	(1,490)
Finance costs	*5*	(2,729)	(3,197)	(3,199)	(905)	(1,316)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	28,920	46,634	90,094	27,904	31,300
Income tax expense	*7*	(4,256)	(8,050)	(13,023)	(4,301)	(5,590)
PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS		24,664	38,584	77,071	23,603	25,710
DISCONTINUED OPERATION						
Loss for the year/period from a discontinued operation	*8*	(787)	—	—	—	—
PROFIT FOR THE YEAR/PERIOD		23,877	38,584	77,071	23,603	25,710
OTHER COMPREHENSIVE INCOME/(LOSS)						
Other comprehensive income/(loss) that may be reclassified to profit and loss in subsequent periods:						
Exchange differences on translation of foreign operations		—	247	(478)	(697)	256
Other comprehensive (loss)/income that will not be reclassified to profit and loss in subsequent periods:						
Exchange differences on translation of the Company		—	(440)	(35)	8	72
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX		—	(193)	(513)	(689)	328
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD		23,877	38,391	76,558	22,914	26,038
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	*12*	N/A	N/A	N/A	N/A	N/A

Consolidated Statements of Financial Position

		As at 31 December			As at 30 April
		2016	2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	35,499	48,334	73,541	79,552
Right-of-use assets	*14*	11,706	21,502	26,993	26,414
Prepayments	*17*	8,604	9,951	7,285	5,562
Total non-current assets		55,809	79,787	107,819	111,528
CURRENT ASSETS					
Inventories	*15*	25,918	75,673	162,722	105,630
Trade and bills receivables	*16*	55,149	71,235	68,684	151,140
Prepayments, deposits and other receivables	*17*	21,339	65,402	34,633	43,639
Amounts due from related companies	*18*	56,487	—	—	—
Financial asset at fair value through profit or loss	*19*	919	—	—	—
Cash and cash equivalents	*20*	16,696	37,570	99,224	55,768
Total current assets		176,508	249,880	365,263	356,177
CURRENT LIABILITIES					
Trade payables	*21*	6,325	20,343	39,558	30,515
Other payables and accruals	*22*	16,338	27,250	22,651	24,254
Interest-bearing bank borrowings	*23*	30,081	46,721	99,564	74,840
Amount due to a related company	*18*	40,669	—	—	—
Financial liabilities at fair value through profit or loss	*19*	—	753	80	—
Lease liabilities		335	352	979	874
Tax payable		1,257	3,046	6,509	7,593
Total current liabilities		95,005	98,465	169,341	138,076
NET CURRENT ASSETS		81,503	151,415	195,922	218,101
TOTAL ASSETS LESS CURRENT LIABILITIES		137,312	231,202	303,741	329,629
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*23*	—	55,300	48,509	48,509
Lease liabilities		1,286	938	3,710	3,560
Total non-current liabilities		1,286	56,238	52,219	52,069
Net assets		136,026	174,964	251,522	277,560
EQUITY					
Share capital	*24*	—	—	—	—
Reserves	*25*	136,026	174,964	251,522	277,560
Total equity		136,026	174,964	251,522	277,560

Consolidated Statements of Changes in Equity

	Note	Share capital	Capital reserve	Merger reserve	Other reserve	Specific reserve	Exchange reserve	Retained profits	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016		—	—	33,800	9	—	—	69,537	103,346
Profit for the year and total comprehensive income for the year		—	—	—	—	—	—	23,877	23,877
Deemed contribution by the controlling shareholder	*30*	—	—	8,803	—	—	—	—	8,803
At 31 December 2016 and 1 January 2017		—	—*	42,603*	9*	—*	—*	93,414*	136,026
Profit for the year		—	—	—	—	—	—	38,584	38,584
Other comprehensive income/(loss) for the year:									
Exchange differences on translation of foreign operations		—	—	—	—	—	247	—	247
Exchange differences on translation of the Company		—	—	—	—	—	(440)	—	(440)
Total comprehensive income for the year		—	—	—	—	—	(193)	38,584	38,391
Contribution by the controlling shareholder		—	34,347	—	—	—	—	—	34,347
Deemed distribution to the controlling shareholder		—	—	(33,800)	—	—	—	—	(33,800)
At 31 December 2017 and 1 January 2018		—	34,347*	8,803*	9*	—*	(193)*	131,998*	174,964
Profit for the year		—	—	—	—	—	—	77,071	77,071
Other comprehensive (loss)/income for the year:									
Exchange differences on translation of foreign operations		—	—	—	—	—	(478)	—	(478)
Exchange differences on translation of the Company		—	—	—	—	—	(35)	—	(35)
Total comprehensive income for the year		—	—	—	—	—	(513)	77,071	76,558
Transfer from retained profits		—	—	—	—	3,264	—	(3,264)	—
Utilise of reserve		—	—	—	—	(442)	—	442	—
At 31 December 2018		—	34,347*	8,803*	9*	2,822*	(706)*	206,247*	251,522
At 1 January 2019		—	34,347	8,803	9	2,822	(706)	206,247	251,522
Profit for the period		—	—	—	—	—	—	25,710	25,710
Other comprehensive (loss)/income for the period:									
Exchange differences on translation of foreign operations		—	—	—	—	—	256	—	256
Exchange differences on translation of the Company		—	—	—	—	—	72	—	72
Total comprehensive income for the period		—	—	—	—	—	328	25,710	26,399
Transfer from retained profits		—	—	—	—	1,425	—	(1,425)	—
Utilise of reserve		—	—	—	—	(760)	—	760	—
At 30 April 2019		—	34,347*	8,803*	9*	3,487*	(378)*	231,292*	277,560
At 1 January 2018		—	34,347	8,803	9	—	(193)	131,998	174,964
Profit for the period		—	—	—	—	—	—	23,603	23,603
Other comprehensive (loss)/income for the period:									
Exchange differences on translation of foreign operations		—	—	—	—	—	(697)	—	(697)
Exchange differences on translation of the Company		—	—	—	—	—	8	—	8
Total comprehensive income for the period		—	—	—	—	—	(689)	23,603	22,914
Transfer from retained profits		—	—	—	—	1,088	—	(1,088)	—
At 30 April 2018 (Unaudited)		—	34,347	8,803	9	1,088	(882)	154,513	197,878

* These reserve accounts comprise the consolidated reserves of RMB136,026,000, RMB174,964,000, RMB251,522,000 and RMB277,560,000 in the consolidated statement of financial position as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively.

Consolidated Statements of Cash Flows

	Notes	Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax:						
From continuing operations		28,920	46,634	90,094	27,904	31,300
From a discontinued operation	*8*	(787)	—	—	—	—
Adjustments for:						
Finance costs	*5*	2,729	3,197	3,199	905	1,316
Depreciation of property, plant and equipment	*6*	5,763	5,506	5,263	1,633	3,000
Depreciation of right-of-use assets	*6*	437	636	794	261	579
Loss/(gain) on disposal of items of property, plant and equipment	*6*	101	(32)	319	—	169
Written down of inventories	*6*	—	—	651	—	501
Changes in fair value of derivative financial instruments	*6*	(1,737)	2,503	554	312	439
Interest income		(212)	(399)	(414)	(21)	(156)
		35,214	58,045	100,460	30,994	37,148
Decrease/(increase) in inventories		4,140	(49,755)	(87,700)	(55,906)	56,591
(Increase)/decrease in trade and bills receivables		(26,404)	(16,116)	(1,250)	(13,491)	(81,158)
Decrease/(increase) in prepayments, deposits and other receivables		56	(45,410)	33,435	(44,068)	(7,283)
(Increase)/decrease in amounts due from related companies		(15,878)	56,487	—	—	—
Decrease/(increase) in derivative financial instruments		818	(831)	—	(1,065)	(519)
(Decrease)/increase in trade payables		(3,510)	14,018	19,215	(10,308)	(9,043)
Increase/(decrease) in other payables and accruals		12,570	10,912	(4,599)	(1,233)	1,603
Decrease in amount due to a related company		(3,879)	(40,669)	—	—	—
Cash generated from/(used in) operations		3,127	(13,319)	59,561	(95,077)	(2,661)
Taxes paid		(3,112)	(6,261)	(9,560)	(2,491)	(4,506)
Net cash flows generated from/ (used in) operating activities		15	(19,580)	50,001	(97,568)	(7,167)

		Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(5,557)	(18,348)	(30,951)	(3,411)	(9,201)
Proceeds from disposal of items of property, plant and equipment		32	39	162	—	—
Additions to right-of-use assets		—	(10,432)	(2,541)	—	—
Interest received		212	399	414	21	156
Net cash flows used in investing activities		(5,313)	(28,342)	(32,916)	(3,390)	(9,045)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		60,829	146,384	124,104	99,968	69,289
Repayment of bank loans		(56,396)	(74,444)	(78,052)	(16,467)	(94,013)
Repayment of lease liabilities		(279)	(409)	(405)	(189)	(335)
Interest paid		(2,657)	(3,119)	(3,139)	(882)	(1,236)
Deemed distribution to the controlling shareholder		—	(33,800)	—	—	—
Deemed contribution by the controlling shareholder	*30*	8,352	34,347	—	—	—
Net cash flows from/(used in) financing activities		9,849	68,959	42,508	82,430	(26,295)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,551	21,037	59,593	(18,528)	(42,507)
Cash and cash equivalents at beginning of year/period		12,145	16,696	37,570	37,570	99,224
Effect of foreign exchange rate changes, net		—	(163)	2,061	(506)	(949)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		16,696	37,570	99,224	18,536	55,768
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*20*	16,696	37,570	99,224	18,536	55,768

Statement of Financial Position of the Company

		As at 31 December		As at 30 April
		2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSET				
Investment in a subsidiary	*29*	33,898	33,898	33,898
CURRENT ASSETS				
Cash and cash equivalents	*20*	—	319	1,088
Total current assets		—	319	1,088
CURRENT LIABILITY				
Amount due to a subsidiary	*18*	(214)	1,111	6,239
Total current liability		(214)	1,111	6,239
NET CURRENT LIABILITIES		(214)	(792)	(5,151)
Net assets		33,684	33,106	28,747
EQUITY				
Share capital	*24*	—	—	—
Reserves	*25*	33,684	33,106	28,747
Total equity		33,684	33,106	28,747

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in the manufacture and sale of non-ferrous metal products.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

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

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangdong Zhiyuan New Material Co., Ltd. ("Zhiyuan New Material")* 廣東致遠新材料有限公司(1)	People's Republic of China ("PRC") 9 May 2006	RMB33,800,000	—	100	Manufacture and sale of non-ferrous metal products
Xinjia Group Limited ("Xinjia Seychelles") 新佳集團有限公司(2)	Seychelles 21 June 2017	US$1	100	—	Investment holding
Xite Group Limited ("Xite Hong Kong") 稀特集團有限公司(3)	Hong Kong 29 June 2017	HK$10,000	—	100	Sale of non-ferrous metal products

* The English name of the company represents the best effort made by management of the Company to directly translate Chinese name of the company as it has not registered any official English name.

Notes:

(1) Zhiyuan New Material is registered as a wholly-foreign-owned enterprise under the PRC law. The statutory financial statements for the year ended 31 December 2016 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by 清遠市德信會計師事務所有限公司, certified public accountants registered in the PRC, and the statutory financial statements for the years ended 31 December 2017 and 2018 prepared under PRC GAAP were audited by 廣東中海粵會計師事務所有限公司.

(2) No statutory financial statements have been prepared for this company since the dates of incorporation as it was not subject to any statutory auditing requirement under relevant rules and regulations in its jurisdictions of incorporation.

(3) The statutory financial statements since the date of incorporation to the year ended 31 December 2018 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by SBC CPA Limited, certified public accountants registered in Hong Kong.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group on 31 August 2017. As the Reorganisation only involved inserting new holding companies at the top of an existing company and has not resulted in any changes of economic substance, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing company using the pooling of interests method.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows are prepared as if the current group structure has been in existence throughout the Relevant Periods. The consolidated statements of financial position as at the end of each of the Relevant Periods present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods. Accordingly, the Group had adopted HKFRS 16 on a consistent basis throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the beginning of the Track Record Period or the date on which a subsidiary was incorporated, whichever is the later and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. 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.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] No mandatory effective date yet determined but available for adoption

The Group is in process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact to the Group's consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its derivative financial instrument at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to 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 each of the Relevant Periods 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.

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Buildings	2.9%–10%
Plant and machinery	10%–20%
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 year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Investments and other financial assets

Initial recognition and measurement

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

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, the Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified as follows.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

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

Impairment of financial assets

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

General approach

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

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

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

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

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

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

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

Simplified approach

For trade receivables that do not contain a significant financing component, 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 fair value through profit or loss and loans and borrowings.

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

The Group's financial liabilities include trade and other payables, an amount due to a related company, financial liabilities at fair value through profit or loss and interest-bearing bank borrowings.

Subsequent measurement of loans and borrowings

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods 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 each of the Relevant Periods, 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 each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, 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, the carry-forward 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, the carry-forward of unused tax credits and unused tax losses can be utilised, except:

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

- in respect of deductible temporary differences associated with investments in subsidiaries, 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 each of the Relevant Periods 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 each of the Relevant Periods 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 each of the Relevant Periods.

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

Government grants

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

Sale of products

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

Provision of processing services

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

Other income

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

The employees of the Group's subsidiaries which operate in PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 10% to 20% 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 PRC are charged as expenses when employees have rendered service entitling them to the contributions.

Foreign currencies

The Historical Financial Information is presented in RMB, which is different from the Company's functional currency, Hong Kong Dollars ("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 Historical Financial Information. 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 each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss 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 certain overseas subsidiaries are currencies other than the RMB. As at the end of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the Relevant Periods and their profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

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

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

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information 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 each of the Relevant Periods, 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.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances.

Write-down of inventories to net realisable value

Management reviews the condition of inventories of the Group and writes down the carrying amounts of obsolete and slow-moving inventories items which are identified as no longer suitable for sale or use to their respective net realisable values. The Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of each of the Relevant Periods.

The identification of obsolete and slow-moving inventory items 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 amounts of inventories at 31 December 2016, 2017 and 2018 and 30 April 2019 were RMB25,918,000, RMB75,673,000, RMB162,722,000 and RMB105,630,000, respectively.

Provision for expected credit losses on trade receivables

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the

historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The information about the ECLs on the Group's trade receivables is disclosed in note 16 to the Historical Financial Information.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of non-ferrous metal products and provision of processing service 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

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
PRC	173,898	260,503	462,827	127,643	185,470
The United States	19,990	21,875	19,995	2,275	10,355
EU countries	18,279	13,796	19,365	6,718	2,051
Other	5,274	11,186	12,531	982	5,969
	217,441	307,360	514,718	137,618	203,845

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

(b) Non-current assets

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	55,836	79,813	104,100	108,108

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

Information about major customers

Revenue of continuing operations derived from sale of non-ferrous metal products and provision of processing service to customers which accounted for 10% or more of the Group's revenue for the Relevant Periods, are set out below:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A	31,530	23,863	72,990	32,692	21,946
Customer B	22,949	—	—	—	—
Customer F	5,613	66,162	139,192	28,677	28,726
Customer G	—	47,079	53,697	8,718	24,216
Customer K	10,103	—	9,655	—	27,606

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from contracts with customers					
Sale of products	199,215	293,048	504,098	132,661	202,437
Provision of processing services	18,226	14,312	10,620	4,957	1,408
	217,441	307,360	514,718	137,618	203,845

Revenue from contracts with customers

(i) Disaggregated revenue information

Types of goods or services					
Sale of products	199,215	293,048	504,098	132,661	202,437
Provision of processing services	18,226	14,312	10,620	4,957	1,408
Total revenue from contracts with customers	217,441	307,360	514,718	137,618	203,845
Timing of revenue recognition					
Goods transferred at a point in time	199,215	293,048	504,098	132,661	202,437
Services transferred over time	18,226	14,312	10,620	4,957	1,408
Total revenue from contracts with customers	217,441	307,360	514,718	137,618	203,845

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the Relevant Periods:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the Relevant Periods					
Sales of goods	169	1,294	2,892	2,892	1,873

(ii) Performance obligations

Sale of products

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

Provision of processing services

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

No performance obligations were unsatisfied or partially unsatisfied as at the end of the Relevant Periods.

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other income					
Bank interest income	207	399	414	21	156
Government subsidies*	2,006	1,386	2,580	858	2,191
Gain on disposal of items of property, plant and equipment	—	32	—	—	—
Others	236	25	22	8	5
	2,449	1,842	3,016	887	2,352
Gains					
Foreign exchange differences, net	—	—	—	315	1,433
Fair value gains on derivative financial instruments, net	1,737	—	—	—	—
	4,186	1,842	3,016	1,202	3,785

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

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on bank loans	2,657	3,517	6,161	1,735	1,981
Interest on lease liabilities	72	78	60	23	80
Less: Interest capitalised	—	(398)	(3,022)	(853)	(745)
	2,729	3,197	3,199	905	1,316

6. PROFIT BEFORE TAX

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

		Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories sold		165,684	220,016	349,485	95,562	152,287
Depreciation of property, plant and equipment	*13*	5,763	5,506	5,263	1,633	3,000
Depreciation of right-of-use assets	*14*	437	636	794	261	579
Research and development costs		8,374	12,207	22,705	5,447	5,748
Auditors' remuneration		434	753	1,074	605	241
Employee benefit expense (including directors' and chief executive's remuneration *(note 10))*						
Wages and salaries		11,090	13,907	21,175	5,680	8,006
Pension scheme contributions		1,364	2,105	3,734	1,003	448
		12,454	16,012	24,909	6,683	8,454
[REDACTED]		1,287	6,741	4,829	1,538	4,119
Loss/(gain) on disposal of items of property, plant and equipment		101	(32)	319	—	169
Written down of inventories		—	—	651	—	501
Fair value (gain)/loss on derivative financial instruments	*20*	(1,737)	2,503	554	312	439
Foreign exchange differences, net		229	286	10,506	(315)	(1,433)

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods. Tax on profits assessable in PRC has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the Relevant Periods. During the Relevant Periods, Zhiyuan New Material was qualified as high and new technology enterprise and enjoy a preferential income tax rate at 15%.

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current — PRC					
Charge for the year/period	4,256	8,050	13,023	4,301	5,590
Total tax charge for the year from continuing operations	4,256	8,050	13,023	4,301	5,590

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

	Year ended 31 December						Four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Profit before tax from continuing operations	28,920		46,634		90,094		27,904		31,300	
Loss before tax from a discontinued operation	(787)		—		—		—		—	
	28,133		46,634		90,094		27,904		31,300	
Tax at the statutory tax rate	7,033	25.0	11,658	25.0	22,524	25.0	6,976	25.0	7,825	25.0
Lower tax rate enacted by local authority	(2,892)	(10.3)	(5,334)	(11.4)	(9,562)	(10.6)	(2,865)	(10.3)	(3,406)	(10.9)
Expense not deductible for tax	1,460	5.2	3,389	7.3	2,555	2.8	1,074	3.9	1,380	4.4
Others	(1,345)	(4.8)	(1,663)	(3.6)	(2,494)	(2.8)	(884)	(3.1)	(209)	(0.6)
Tax charge at the Group's effective rate	4,256	15.1	8,050	17.3	13,023	14.4	4,301	15.5	5,590	17.9
Tax charge from continuing operations at effective rate	4,256	15.1	8,050	17.3	13,023	14.4	4,301	15.5	5,590	17.9

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

As at 31 December 2016, 2017, 2018 and 30 April 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB103.3 million, RMB148.5 million, RMB238.1 million and RMB262.9 million of a subsidiary of the Group established in PRC. In the opinion of the directors, the Group will retain all of the distributable profits of the PRC's subsidiary in PRC for its operation in Mainland China and no dividend will be declared in foreseeable future. Hence, no deferred tax for withholding tax was recognised.

8. DISCONTINUED OPERATION

During the year ended 31 December 2016, the Group had disposed a subsidiary, Guangdong Jiayuan Metal Co., Ltd ("Jiayuan Metal", "廣東佳遠金屬有限公司"). Jiayuan Metals was engaged in the trading of various metallurgical products. The Group had decided to cease its trading business of metallurgical products in order to reallocate its resources on the manufacture and sale of tantalum and niobium- based metallurgical products. The disposal of Jiayuan Metal was completed on 1 July 2016. With Jiayuan Metal being classified as a discontinued operation, the trading business of various metallurgical products is not included in the note for operating segment information for the year ended 31 December 2016.

The results of Jiayuan Metal for the year ended 31 December 2016 are presented below:

	Year ended 31 December 2016
	RMB'000
Revenue	8,712
Cost of sales	(6,705)
Other income	50
Expenses	(2,844)
Loss before tax and loss for the year from the discontinued operation	(787)

The net cash flows incurred by Jiayuan Metal are as follows:

	Year ended 31 December 2016
	RMB'000
Operating activities	(7,879)
Investing activities	5
Net cash outflow	(7,874)
Earnings per share — basic and diluted, from the discontinued operation	N/A

9. DIVIDENDS

No dividend has been paid or proposed by the Company during the years ended 31 December 2016, 2017, 2018 and period ended 30 April 2019.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration

Certain of the directors received remuneration from a subsidiary now comprising the Group for their appointment as directors or officers of the subsidiary. The remuneration of each of these directors recorded in the financial statements of the subsidiary is set out below:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	860	898	867	274	324
Pension scheme contributions	45	60	43	24	18
	905	958	910	298	342

Independent non-executive directors

Mr. Zhang Senquan, Mr. Zhong Hui and Mr. Yin Fusheng were appointed as independent non-executive directors of the Company on [date]. There were no fees or other emoluments paid or payable to the independent non-executive directors of the Company during the Relevant Periods.

Executive directors

Mr. Wu Lijue, Mr. Zeng Min and Ms. Wu Shandan were appointed as executive directors of the Company on 26 May 2017. The remuneration of directors and the chief executive for each of the Relevant Periods is set out below:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2016					
Executive directors:					
Mr. Wu Lijue*	—	610	—	20	630
Mr. Zeng Min	—	—	—	—	—
Ms. Wu Shandan	—	250	—	25	275
	—	860	—	45	905
Year ended 31 December 2017					
Executive directors:					
Mr. Wu Lijue*	—	610	—	22	632
Mr. Zeng Min	—	—	—	—	—
Ms. Wu Shandan	—	288	—	38	326
	—	898	—	60	958
Year ended 31 December 2018					
Executive directors:					
Mr. Wu Lijue*	—	422	—	4	426
Mr. Zeng Min	—	101	—	—	101
Ms. Wu Shandan	—	344	—	39	383
	—	867	—	43	910
Four months ended 30 April 2018 (Unaudited)					
Executive directors:					
Mr. Wu Lijue*	—	183	—	10	193
Mr. Zeng Min	—	—	—	—	—
Ms. Wu Shandan	—	91	—	14	105
	—	274	—	24	298
Four months ended 30 April 2019					
Executive directors:					
Mr. Wu Lijue*	—	174	—	5	179
Mr. Zeng Min	—	35	—	—	35
Ms. Wu Shandan	—	115	—	13	128
	—	324	—	18	342

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration were 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.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included 2, 2, 1 and 1 directors for the years ended 31 December 2016, 2017, 2018 and period ended 30 April 2019 respectively, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining 3, 3, 4 and 4 highest paid employees for the years ended 31 December 2016, 2017, 2018 and the period ended 30 April 2019 respectively, who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, allowances and benefits in kind	857	884	1,831	278	862
Pension scheme contributions	83	155	120	44	44
	940	1,039	1,951	322	906

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

	Number of employees				
	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
				(Unaudited)	
Nil to HK$1,000,000	3	3	4	3	4
	3	3	4	3	4

During the Relevant Periods, no share option was granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group.

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

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

No earnings per share information is presented as its inclusion, for the purpose of the report, is not considered meaningful due to the preparation of the Historical Financial Information for the Relevant Periods, the preparation basis of which as disclosed in note 2.2 above.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016, net of accumulated depreciation	24,461	10,659	285	712	686	36,803
Additions	147	622	147	721	2,955	4,592
Transfers	86	1,859	—	—	(1,945)	—
Depreciation provided during the year	(1,991)	(3,411)	(127)	(234)	—	(5,763)
Disposals/write-off	—	(88)	(10)	(35)	—	(133)
At 31 December 2016 and 1 January 2017, net of accumulated depreciation	22,703	9,641	295	1,164	1,696	35,499
Additions	1,018	1,406	65	433	15,426	18,348
Transfers	627	2,900	—	—	(3,527)	—
Depreciation provided during the year	(2,024)	(3,060)	(120)	(302)	—	(5,506)
Disposals/write-off	—	—	—	(7)	—	(7)
At 31 December 2017 and 1 January 2018, net of accumulated depreciation	22,324	10,887	240	1,288	13,595	48,334
Additions	—	97	150	1,896	28,808	30,951
Transfers	16,163	18,949	—	—	(35,112)	—
Depreciation provided during the year	(2,167)	(2,671)	(87)	(338)	—	(5,263)
Disposals/write-off	—	(322)	(1)	—	(158)	(481)
At 31 December 2018 and 1 January 2019, net of accumulated depreciation	36,320	26,940	302	2,846	7,133	73,541
Additions	—	—	4	—	9,197	9,201
Transfers	829	7,469	—	—	(8,298)	—
Depreciation provided during the period	(1,004)	(1,754)	(31)	(211)	—	(3,000)
Disposals/write-off	—	(157)	(12)	—	—	(169)
Exchange realignment	—	—	—	(21)	—	(21)
At 30 April 2019, net of accumulated depreciation	36,145	32,498	263	2,614	8,032	79,552
At 31 December 2016:						
Cost	31,962	22,436	678	1,667	1,696	58,439
Accumulated depreciation	(9,259)	(12,795)	(383)	(503)	—	(22,940)
Net carrying amount	22,703	9,641	295	1,164	1,696	35,499
At 31 December 2017:						
Cost	33,607	26,742	743	1,998	13,595	76,685
Accumulated depreciation	(11,283)	(15,855)	(503)	(710)	—	(28,351)
Net carrying amount	22,324	10,887	240	1,288	13,595	48,334
At 31 December 2018:						
Cost	49,770	44,088	875	3,894	7,133	105,760
Accumulated depreciation	(13,450)	(17,148)	(573)	(1,048)	—	(32,219)
Net carrying amount	36,320	26,940	302	2,846	7,133	73,541
At 30 April 2019:						
Cost	50,599	46,322	477	3,896	8,032	109,326
Accumulated depreciation	(14,454)	(13,824)	(214)	(1,282)	—	(29,774)
Net carrying amount	36,145	32,498	263	2,614	8,032	79,552

As at 31 December 2016 and 2017, included in the Group's buildings were eight buildings with aggregate carrying amounts of approximately RMB3,024,000 and RMB2,886,000, respectively, for which no building ownership certificates were obtained. The building ownership certificates of four of these buildings were obtained in the beginning of 2018. As at 31 December 2018 and 30 April 2019, included in the Group's buildings were six buildings with aggregate carrying amounts of approximately RMB6,814,000 and RMB6,960,000 for which no building ownership certificates were obtained. The building ownership certificates of these buildings are expected to be obtained by the end of 2020. Based on the PRC legal opinion, the Group is eligible to use these buildings though the formal title of these buildings has not yet been obtained by the Group.

14. RIGHT-OF-USE ASSETS

Group

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period				
Cost	11,207	12,218	22,650	28,935
Accumulated depreciation	(75)	(512)	(1,148)	(1,942)
Net carrying amount	11,132	11,706	21,502	26,993
Net carrying amount at beginning of the year/period	11,132	11,706	21,502	26,993
Additions	1,011	10,432	6,285	—
Depreciation provided during the year/period	(437)	(636)	(794)	(579)
Net carrying amount at end of the year/period	11,706	21,502	26,993	26,414
At end of the year/period				
Cost	12,218	22,650	28,935	28,935
Accumulated depreciation	(512)	(1,148)	(1,942)	(2,521)
Net carrying amount	11,706	21,502	26,993	26,414

The consolidated statements of profit or loss and other comprehensive income and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation charge of right-of-use assets	437	636	794	261	579
Interest expense	72	78	60	23	80
The cash outflow for additions to right-of-use assets	—	10,432	2,541	—	—
The cash outflow for leases as financing activities	279	409	405	189	335

15. INVENTORIES

Group

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	12,656	36,679	68,979	57,800
Work in progress	8,793	19,750	37,151	16,302
Finished goods	4,469	19,244	56,592	31,528
	25,918	75,673	162,722	105,630

16. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	39,186	37,679	31,691	97,951
Bills receivables	15,963	33,556	36,993	53,189
	55,149	71,235	68,684	151,140

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. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of customers, there is no significant concentration of credit risk. 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 each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	34,097	63,040	47,348	99,250
1 to 2 months	1,876	5,754	1,540	30,151
2 to 3 months	11,920	600	2,265	10,838
Over 3 months	7,256	1,841	17,531	10,901
	55,149	71,235	68,684	151,140

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.

As at the end of each of the Relevant Periods, the expected credit loss rate for the Group's trade and bills receivables is minimal for all the above bands of trade and bills receivables.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments	8,604	9,951	7,285	5,562
Current				
Prepayments	19,570	59,469	30,367	35,045
Deposits and other receivables	1,769	5,933	4,266	8,594
	21,339	65,402	34,633	43,639

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The expected credit loss rate for these financial assets is minimal.

18. AMOUNTS DUE FROM/TO RELATED COMPANIES/SUBSIDIARIES

Group

Particulars of the amounts due from/to related companies are as follows:

	As at 31 December 2016	Maximum amount outstanding during the year	As at 31 December 2017	Maximum amount outstanding during the year	As at 31 December 2018	Maximum amount outstanding during the year	As at 30 April 2019	Maximum amount outstanding during the period
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Due from related companies								
Jiayuan Metal*	4,028	4,028	—	4,028	—	—	—	—
Guangdong Jiana Energy Technology Co., Ltd. ("Jiana")* 廣東佳納能源科技有限公司	52,459	52,459	—	52,459	—	—	—	—
	56,487		—		—		—	
Due to a related company								
Fogang Jiata Metal Co., Ltd. ("Fogang Jiata")* 佛岡佳特金屬有限公司	40,669		—		—		—	

* The above related companies are controlled by Mr. Wu Lijue, the controlling shareholder and director of the Company.

The balances with the related companies were non-interest-bearing, unsecured and were repayable on demand.

Company

The balance with the subsidiary was non-interest-bearing, unsecured and was repayable on demand.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Forward currency contracts:				
Assets	919	—	—	—
Liabilities	—	753	80	—

The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Gain arising from changes in the fair value of non-hedging derivatives amounting to RMB1,737,000 was credited to profit or loss during the year

ended 31 December 2016. Losses arising from changes in the fair value of non-hedging derivatives amounting to RMB2,503,000 RMB554,000 and RMB439,000 were charged to profit or loss during the years ended 31 December 2017, 2018 and four months ended 30 April 2019, respectively.

20. CASH AND CASH EQUIVALENTS

Group

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

At 31 December 2016, 2017, 2018 and 30 April 2019, the Group's cash and bank balances denominated in RMB amounted to RMB12,661,000, RMB36,174,000, RMB87,899,000 and RMB41,182,000, respectively. The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Company

The cash and cash equivalents of the Company are denominated in HK$ and US$.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	5,958	5,042	20,251	21,098
1 to 2 months	143	14,358	16,679	5,089
2 to 3 months	5	5	322	45
Over 3 months	219	938	2,306	4,283
	6,325	20,343	39,558	30,515

Trade payables are non-interest-bearing and are normally settled with terms of 60 days.

22. OTHER PAYABLES AND ACCRUALS

Group

		As at 31 December			As at 30 April
		2016	2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	*(i)*	1,294	2,892	1,873	45
Other payables	*(ii)*	1,672	1,211	2,093	1,325
Accruals		6,297	16,508	13,204	13,879
Deferred income	*(iii)*	7,075	6,639	5,481	9,005
		16,338	27,250	22,651	24,254

Notes:

(i) Details of contract liabilities as at 1 January 2016, 31 December 2016, 2017, 2018 and 30 April 2019 are as follows:

	1 January 2016	31 December 2016	31 December 2017	31 December 2018	30 April 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term advances received from customers					
Sales of goods	169	1,294	2,892	1,873	45

Contract liabilities include short-term advances received to deliver goods. The increase in contract liabilities from 1 January 2016 to 31 December 2017 was mainly due to the increase in short-term advances received from customers in relation to the sales of goods at 31 December 2016 and 2017. The decrease in contract liabilities from 31 December 2017 to 30 April 2019 was mainly due to the decrease in short-term advances received from customers in relation to the sales of goods at 30 April 2019.

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

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

23. INTEREST-BEARING BANK BORROWINGS

Group

	As at 31 December 2016			As at 31 December 2017			As at 31 December 2018			As at 30 April 2019		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current:												
Bank loans — Guarantee *(note a)*	1.6–4.4	2017	30,081	2.1–5.9	2018	46,721	3.0–4.7	2019	92,773	3.4–4.6	2019–2020	71,450
Bank loans — Secured *(note b)*	—	—	—	—	—	—	5.4	2019	6,791	5.4	2019	3,390
			30,081			46,721			99,564			74,840
Non-current:												
Bank loans — Secured	—	—	—	5.4	2024	55,300	5.4	2020–2024	48,509	5.4	2020–2024	48,509
			30,081			102,021			148,073			123,349

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	30,081	46,721	99,564	74,840
In the second year	—	—	9,702	9,702
In the third to fifth years, inclusive	—	—	29,105	38,807
Beyond five years	—	55,300	9,702	—
	30,081	102,021	148,073	123,349

Notes:

(a) As at 31 December 2016, 2017, 2018 and 30 April 2019, the Company's shareholder, Mr. Wu Lijue ("Mr. Wu") has guaranteed certain of the Group's bank loans up to RMB300,000,000, RMB397,000,000, RMB447,000,000 and RMB487,000,000, respectively. As at 31 December 2016, 2017 and 2018, the Company's shareholder, MACRO-LINK Holding Co., Ltd. ("MACRO-LINK Holding") has guaranteed certain of the Group's bank loans up to RMB215,000,000, RMB215,000,000 and RMB38,000,000, respectively. As at 31 December 2018 and 30 April 2019, Mr. Wu and a related company controlled by Mr. Wu Lijue, Guangdong Yuanwei Investment Co., Ltd. have jointly guaranteed certain of the Group's bank loans up to RMB50,000,000.

(b) As at 31 December 2017 and 2018 and 30 April 2019, certain of the Group's bank loans are secured by the pledge of certain of the Group's leasehold lands with an aggregate carrying amount of approximately RMB9,926,000, RMB9,702,000 and RMB9,627,000 respectively. No leasehold land was pledged as at 31 December 2016.

(c) Borrowings of the Group are denominated in RMB and US$.

24. SHARE CAPITAL

The Company is a limited liability company incorporated in the Cayman Islands on 26 May 2017.

The authorised and issued share capital of the Company were HK$380,000 and HK$0.1, respectively, divided into 38,000,000 and 10 shares of HK$0.01 each, respectively.

	31 December 2017 and 2018 and 30 April 2019	
	Equivalent to	
	HK$	RMB
Issued and fully paid:		
10 ordinary shares of HK$0.01 each	0.1	0.09

During the year ended 31 December 2017, the movement in the Company's share capital is as follows:

(a) The Company was incorporated on 26 May 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same date, 1 ordinary share of HK$0.01 was allotted, issued and credited as fully paid to Sertus Nominees (Cayman) Limited ("Sertus"), the Company's initial subscribers, and subsequently, Sertus transferred the 1 ordinary share to Jiawei, the Company's immediate and ultimate holding company, at a consideration of HK$0.01. On the same date, 6 and 3 ordinary shares of HK$0.01 were allotted, issued and credited as fully paid to Jiawei, the Company's immediate and ultimate holding company and Macro-Link International Mining Limited, respectively.

25. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page I-6.

The Group's merger reserve mainly represents the deemed contribution and distribution by the controlling shareholder pursuant to the Group Reorganisation set out in note 1.

The Group's capital reserve is a capital contribution from Mr. Wu Lijue by the Company for the Group Reorganisation set out in note 1.

The Group's specific reserve represent safety production fund according to relevant PRC regulations. The Group is required to transfer an amount to specific reserve for the safety production fund. Safety production fund should be accrued and recognised in profit or loss with a corresponding credit in reserve. Such reserve is reduced for expenses incurred for safety production purposes or when safety production related equipment is purchased.

Company

	Capital reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	—	—	—	—
Loss for the year	—	—	(223)	(223)
Other comprehensive loss for the year:				
Exchange differences on translation of financial statements/ information	—	(440)	—	(440)
Total comprehensive loss for the year	—	(440)	(223)	(663)
Contribution by the controlling shareholder	34,347	—	—	34,347
At 31 December 2017 and 1 January 2018	34,347	(440)	(223)	33,684
Loss for the year	—	—	(543)	(543)
Other comprehensive income for the year:				
Exchange differences on translation of financial statements/ information	—	(35)	—	(35)
Total comprehensive income for the year	—	(35)	(543)	(578)
At 31 December 2018 and 1 January 2019	34,347	(475)	(766)	33,106
Loss for the period	—	—	(4,431)	(4,431)
Other comprehensive income for the period:				
Exchange differences on translation of financial statements/ information				
Total comprehensive income for the period	—	72	—	72
At 30 April 2019	34,347	(403)	(5,197)	28,747

26. PLEDGE OF ASSETS

Details of the Group's assets pledged for a Group's bank loan are included in notes 13 and 23 to the Historical Financial Information, respectively.

27. COMMITMENTS

Group

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
Plant and equipment	1,414	7,268	10,053	7,896

Company

As at the end of each of the Relevant Periods, the Company had no capital commitments.

28. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the Relevant Periods:

		Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loan guarantee fee:						
MACRO-LINK Holding Co., Ltd.	*(i)*	995	995	380	125	95

Notes:

(i) The loan guarantee fee was incurred for the guarantee provided by MACRO-LINK Holding Co., Ltd., which is a shareholder of the Company. The loan guarantee fee was charged pursuant to the terms in the agreements signed between the subsidiary of the Group and MACRO-LINK Holding Co., Ltd.. on 21 May 2015 and 28 November 2016.

(b) Other transactions with a related party

On 1 July 2016, the Group entered into an equity transfer agreement pursuant to which the Group transferred a 100% equity interest in Jiayuan Metal to Fogang Jiata, a related company controlled by Mr. Wu Lijue, the controlling shareholder of the Group, at a total consideration of RMB10,010,000.

(c) Balances with related parties

Details of the Group's amounts due from/to related companies as at the end of each of the Relevant Periods are included in note 18 to the Historical Financial Information.

(d) Guarantee by related parties

As at 31 December 2016, 2017, 2018 and 30 April 2019, the Company's shareholder, Mr. Wu Lijue ("Mr. Wu") has guaranteed certain of the Group's bank loans up to RMB300,000,000, RMB397,000,000, RMB487,000,000 and RMB537,000,000, respectively. As at 31 December 2016, 2017 and 2018, the Company's shareholder, MACRO-LINK Holding Co., Ltd. ("MACRO-LINK Holding") has guaranteed certain of the Group's bank loans up to RMB215,000,000, RMB215,000,000 and RMB38,000,000, respectively. As at 31 December 2018 and 30 April 2019, Mr. Wu and a related company controlled by Mr. Wu Lijue, Guangdong Yuanwei Investment Co., Ltd. have jointly guaranteed certain of the Group' bank loans up to RMB50,000,000. As at 30 April 2019, Mr. Wu and Ms. Ruan Xiaomei, being his spouse have jointly guaranteed certain of the Group's bank loans up to RMB50,000,000.

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

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Short term employee benefits	1,717	1,782	2,698	687	963
Post-employment benefits	170	252	158	88	57
Total compensation paid to key management personnel	1,887	2,034	2,856	775	1,020

Further details of directors' and the chief executive's emoluments are included in note 10 to the Historical Financial Information.

29. INVESTMENT IN A SUBSIDIARY

Company

	As at 31 December 2018	As at 30 April 2019
	RMB'000	RMB'000
Investment, at cost	33,898	33,898

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries are disclosed in note 1 to the Historical Financial Information.

30. DEEMED CONTRIBUTION BY THE CONTROLLING SHAREHOLDER

Pursuant to the equity transfer agreement signed with Fogang Jiata, as part of the Reorganisation, Zhiyuan New Material transferred a 100% equity interest in Jiayuan Metal to Fogang Jiata (the "Transfer") at a total consideration of RMB10,010,000. The transaction was completed on 1 July 2016 (the "Transfer Completion Date").

	Year ended 31 December 2016
	RMB'000
Net assets disposed of:	
Property, plant and equipment	1,130
Inventories	4,479
Trade and other receivables	2,904
Cash and bank balances	1,658
Trade and other payables	(5,472)
Amounts due to related companies	(3,492)
	1,207
Deemed contribution by the controlling shareholder	8,803
	10,010
Satisfied by cash	10,010

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	10,010
Cash and bank balances disposed of	(1,658)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	8,352

Pursuant to the equity transfer agreement signed with Seraphim BVI, as part of the Reorganisation, Xinjia Seychelles acquired a 100% equity interest in Zhiyuan New Material from Seraphim BVI at a total consideration of RMB33,800,000. The transaction was completed on 31 August 2017. The consideration was settled by additional capital provided by Mr. Wu Lijue, the controlling shareholder of the Group, amounted to approximately RMB34,347,000, which was recognised as deemed contribution by the controlling shareholder.

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2016 and 31 December 2018, the Group entered into lease arrangements in respect of office lease with amounts upon initial recognition of RMB1,011,000 and RMB3,744,000, respectively. During the year ended 31 December 2017 and the four months ended 30 April 2019, the Group did not enter into any lease arrangement.

(b) Changes in liabilities arising from financing activities:

	Interest-bearing bank borrowings	Lease liabilities
	RMB'000	RMB'000
As at 1 January 2016	25,648	817
Changes from financing cash flows	4,433	(279)
Increase on lease liabilities	—	72
New lease	—	1,011
Decrease arising from disposal of a subsidiary	—	—
As at 31 December 2016	30,081	1,621
Changes from financing cash flows	71,940	(409)
Interest on lease liabilities	—	78
As at 31 December 2017	102,021	1,290
Changes from financing cash flows	46,052	(405)
Interest on lease liabilities	—	60
New lease	—	3,744
As at 31 December 2018	148,073	4,689
Changes from financing cash flows	(24,724)	(335)
Interest on lease liabilities	—	80
As at 30 April 2019	123,349	4,434

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2016

Financial assets

	Financial asset at amortised cost	Financial asset at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Trade and bills receivables	55,149	—	55,149
Financial assets included in prepayments, deposits and other receivables	1,513	—	1,513
Financial asset at fair value through profit or loss	—	919	919
Amounts due from related companies	56,487	—	56,487
Cash and cash equivalents	16,696	—	16,696
	129,845	919	130,764

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	6,325
Financial liabilities included in other payables and accruals	1,993
Interest-bearing bank borrowings	30,081
Lease liabilities	1,621
Amount due to a related company	40,669
	80,689

As at 31 December 2017

Financial assets

	Financial asset at amortised cost
	RMB'000
Trade and bills receivables	71,235
Financial assets included in prepayments, deposits and other receivables	5,933
Cash and cash equivalents	37,570
	114,738

Financial liabilities

	Financial liabilities at amortised cost	Financial liability at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Trade payables	20,343	—	20,343
Financial liabilities included in other payables and accruals	17,719	—	17,719
Interest-bearing bank borrowings	102,021	—	102,021
Lease liabilities	1,290	—	1,290
Financial liabilities at fair value through profit or loss	—	753	753
	141,373	753	142,126

As at 31 December 2018

Financial assets

	Financial asset at amortised cost
	RMB'000
Trade and bills receivables	68,684
Financial assets included in prepayments, deposits and other receivables	4,266
Cash and cash equivalents	99,224
	172,174

Financial liabilities

	Financial liabilities at amortised cost	Financial liability at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Trade payables	39,558	—	39,558
Financial liabilities included in other payables and accruals	15,298	—	15,298
Interest-bearing bank borrowings	148,073	—	148,073
Lease liabilities	4,689	—	4,689
Financial liabilities at fair value through profit or loss	—	80	80
	207,618	80	207,698

As at 30 April 2019

Financial assets

	Financial asset at amortised cost
	RMB'000
Trade and bills receivables	151,140
Financial assets included in prepayments, deposits and other receivables	16,510
Cash and cash equivalents	55,768
	223,418

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	30,515
Financial liabilities included in other payables and accruals	15,204
Interest-bearing bank borrowings	123,349
Lease liabilities	4,434
	173,502

33. 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			
	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liability				
Interest-bearing bank borrowings	30,081	102,021	148,073	123,349

	Fair values			
	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liability				
Interest-bearing bank borrowings	29,774	100,706	143,956	117,395

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, lease liabilities and balances with related companies 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 financial asset and liabilities at fair value through profit or loss are based on quoted market prices.

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

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

Fair value hierarchy

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

Assets measured at fair value

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial asset at fair value through profit or loss				
— Fair value measurement using significant observable inputs (Level 2)	919	—	—	—

Liabilities measured at fair value

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at fair value through profit or loss				
— Fair value measurement using significant observable inputs (Level 2)	—	753	80	—

During the Relevant Periods, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group also enters into derivative transactions, including forward currency contracts, to manage the transactional currency exposures arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and other price 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 cash and bank balances and bank loans with a floating interest rate. 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				
		Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
RMB	100	27	(240)	306	(486)	(127)
US$	100	(160)	(408)	(810)	(1,190)	(587)
HKD	100	—	—	16	—	18
RMB	(100)	(27)	240	(306)	486	127
US$	(100)	160	408	810	1,190	587
HKD	(100)	—	—	(16)	—	(18)

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 years ended 31 December 2016, 2017,2018, and 30 April 2019 approximately 20.0%, 15.2%, 10.1% and 9.0% of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, respectively.

The following table demonstrates the sensitivity at the end of the Relevant Periods 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				
		Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
	%	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
If RMB weakens against US$	1	(11)	(374)	(797)	(1,204)	(587)
If RMB weakens against HKD	1	—	—	16	—	18
If RMB strengthens against US$	(1)	11	374	797	1,204	587
If RMB strengthens against HKD	(1)	—	—	(16)	—	(18)

Credit risk

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

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

At the end of each of the Relevant Periods, the Group had certain concentration of credit risk as 25.1%, 32.4%, 27.6% and 17.5% of the Group's trade and bills receivables were due from a major customer of the Group for the years ended 31 December 2016, 2017,2018 and the period ended 30 April 2019, respectively. Concentrations of credit risk are managed by establishing credit verification procedures. The management determines there are minimal concentrations of credit risk within the Group as the customers of the Group's trade and bills receivables are creditworthy.

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 2016, 2017, 2018 and 30 April 2019. The amounts presented are gross carrying amounts for the financial assets.

Group

As at 31 December 2016

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	39,186	39,186
Bills receivables**					
— Normal	15,963	—	—	—	15,963
Financial assets included in prepayments, deposits and other receivables**					
— Normal	1,513	—	—	—	1,513
Amounts due from related companies**					
— Normal	56,487	—	—	—	56,487
Cash and cash equivalents					
— Not yet past due	16,696	—	—	—	16,696
	90,659	—	—	39,186	129,845

As at 31 December 2017

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	37,679	37,679
Bills receivables*					
— Normal	33,556	—	—	—	33,556
Financial assets included in prepayments, deposits and other receivables**					
— Normal	5,933	—	—	—	5,933
Cash and cash equivalents					
— Not yet past due	37,570	—	—	—	37,570
	77,059	—	—	37,679	114,738

As at 31 December 2018

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	31,691	31,691
Bills receivables*					
— Normal	36,993	—	—	—	36,993
Financial assets included in prepayments, deposits and other receivables**					
— Normal	4,266	—	—	—	4,266
Cash and cash equivalents					
— Not yet past due	99,224	—	—	—	99,224
	140,483	—	—	31,691	172,174

As at 30 April 2019

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	97,951	97,951
Bills receivables*					
— Normal	53,189	—	—	—	53,189
Financial assets included in prepayments, deposits and other receivables**					
— Normal	16,510	—	—	—	16,510
Cash and cash equivalents					
— Not yet past due	55,768	—	—	—	55,768
	125,467	—	—	97,951	223,418

Company

As at 31 December 2018

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents					
— Not yet past due	319	—	—	—	319
	319	—	—	—	319

As at 30 April 2019

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents					
— Not yet past due	1,088	—	—	—	1,088
	1,088	—	—	—	1,088

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 16 to the Historical Financial Information.

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

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 of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	On demand or no later than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2016				
Trade payables	6,325	—	—	6,325
Other payables and accruals	1,993	—	—	1,993
Interest-bearing bank borrowings	30,551	—	—	30,551
Lease liabilities	316	518	787	1,621
Amount due to a related company	40,669	—	—	40,669
	79,853	518	787	81,158
As at 31 December 2017				
Trade payables	20,343	—	—	20,343
Other payables and accruals	17,719	—	—	17,719
Financial liabilities at fair value through profit or loss	753	—	—	753
Interest-bearing bank borrowings	50,176	45,779	19,545	115,500
Lease liabilities	338	172	780	1,290
	89,329	45,951	20,325	155,605
As at 31 December 2018				
Trade payables	39,558	—	—	39,558
Other payables and accruals	15,298	—	—	15,298
Financial liabilities at fair value through profit or loss	80	—	—	80
Interest-bearing bank borrowings	104,412	47,830	13,266	165,508
Lease liabilities	972	2,943	774	4,689
	160,320	50,773	14,040	225,133
As at 30 April 2019				
Trade payables	30,515	—	—	30,515
Other payables and accruals	15,204	—	—	15,204
Interest-bearing bank borrowings	75,859	44,387	10,522	130,768
Lease liabilities	1,003	2,659	772	4,434
	122,581	47,046	11,294	180,921

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 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 Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt represents interest-bearing bank borrowings and amount due to a related company. The gearing ratios as at the end of each of the Relevant Periods were as follows:

Group

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Total debt	70,750	102,021	148,073	123,349
Total equity	136,026	174,694	251,522	277,560
Gearing ratio	52.0%	58.4%	58.9%	44.4%

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2019.

The information sets out in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this document, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the sections headed "Financial Information" and "Appendix I — Accountants' Report" in this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the **[REDACTED]** on the consolidated net tangible assets of the Group attributable to owners of the Company as if the **[REDACTED]** had taken place on 30 April 2019. This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the **[REDACTED]** been completed as at 30 April 2019 or any future dates:

	Consolidated net tangible assets attributable to owners of the Company as at 30 April 2019	**Estimated [REDACTED] from the [REDACTED]**	**Unaudited Pro forma adjusted consolidated net tangible assets**	**Unaudited Pro forma adjusted consolidated net tangible per Share**	**Unaudited Pro forma adjusted consolidated net tangible per Share**
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000*	*RMB (Note 3 and 4)*	*(HK$ equivalent)*
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	277,560	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	277,560	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as at 30 April 2019 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated **[REDACTED]** from the **[REDACTED]** are based on the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per Share, after deduction of the **[REDACTED]** fees and other related expenses payable by the Company.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on **[REDACTED]** Shares expected to be in issue immediately following the completion of the **[REDACTED]** without taking into account of any Shares which may be issued upon exercise of the **[REDACTED]** or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

4. No adjustment has been made to reflect any trading results or other transactions of the Group, entered into subsequent to 30 April 2019.

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 June 2019 of the property interests held by the Group.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

[Date]

The Board of Directors
Ximei Resources Holding Limited

Dear Sirs,

In accordance with your instructions to value the property interests held by Ximei Resources Holding Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 June 2019 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued by cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have attributed no commercial value to the property in Group II, of which the land use rights certificates have not been obtained, thus the title of the property is not vested by the Group.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation-Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates, and other official plans related to the property interests in PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisers ("PRC Legal Advisers") — King & Wood Mallesons, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Inspection of the properties was carried out in July 2019 by Mr. Eric Lu who has more than 3 years' experience in the valuation of properties in the PRC. We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T.W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Notes: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interest held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 30 June 2019
		RMB
1.	Zone A of the plant of Zhiyuan New Material located at Hongqiao Village Qiaotou Town Yingde City Qingyuan City Guangdong Province The PRC	59,698,000
	Sub-total:	**59,698,000**

Group II — Property interest contracted to be acquired by the Group in the PRC

No.	Property	Market value in existing state as at 30 June 2019
		RMB
2.	Zone B of the plant of Zhiyuan New Material located at Hongqiao Village Qiaotou Town Yingde City Qingyuan City Guangdong Province The PRC	No commercial value
	Sub-total:	**Nil**
	Grand total:	**59,698,000**

VALUATION CERTIFICATE

Group I — Property interest held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2019
				RMB
1.	Zone A of the plant of Zhiyuan New Material located at Hongqiao Village Qiaotou Town Yingde City Qingyuan City Guangdong Province The PRC	The property comprises 10 parcels of land with a total site area of approximately 91,402.27 sq.m. and 18 buildings and portions of a recycling factory ("comprehensive recycling factory II") erected thereon which were completed in various stages between 2006 and 2018. The buildings of property have a total gross floor area of approximately 28,096.75 sq.m. The buildings mainly include an office building, a staff canteen, a liquid ammonia shed, 3 warehouses, 2 dormitories, 3 recycling factories (including portions of the comprehensive recycling factory II) and 8 maintenance and production factories. The land use rights of the property have been granted for terms of 50 years expiring on 12 May 2055, 17 July 2066, 5 September 2067, 6 November 2067, 24 December 2068 and 4 October 2069 for industrial use, respectively.	As at the valuation date, the property was occupied by the Group for production, staff dormitory, canteen, recycle, storage and ancillary purposes.	59,698,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates — Ying De Guo Yong (2014) No. 1257, Ying De Guo Yong (2015) No. 1561 and 8 Real Estate Title Certificates — Yue (2017) Ying De Shi Bu Dong Chan Quan Nos. 0028974, 0028975, 0028979, 0023125 and 0023136, Yue (2018) Ying De Shi Bu Dong Chan Quan Nos. 0033608, 0036594 and 0036622, the land use rights of the property with a total site area of approximately 91,402.27 sq.m. have been granted to Guangdong Zhiyuan New Material Company Limited ("Zhiyuan New Material", a wholly-owned subsidiary of the Company) for terms of 50 years expiring on 12 May 2055, 17 July 2066, 5 September 2067, 6 November 2067, 24 December 2068 and 4 October 2069 for industrial use, respectively.

2. Pursuant to 13 Real Estate Title Certificates, 13 buildings of the property with a total gross floor area of approximately 20,381.35 sq.m. are owned by Zhiyuan New Material. The details are set out as follows:

No.	Certificate No.	Gross Floor Area (sq.m.)	Usage
(1)	Yue (2016) Ying De Shi Bu Dong Chan Quan No. 0009441	4,224.00	Industrial
(2)	Yue (2016) Ying De Shi Bu Dong Chan Quan No. 0009439	1,230.35	Dormitory
(3)	Yue (2016) Ying De Shi Bu Dong Chan Quan No. 0009432	2,566.80	Industrial
(4)	Yue (2016) Ying De Shi Bu Dong Chan Quan No. 0009437	676.40	Industrial
(5)	Yue (2017) Ying De Shi Bu Dong Chan Quan No. 0026826	540.00	Industrial
(6)	Yue (2017) Ying De Shi Bu Dong Chan Quan No. 0026852	918.00	Industrial
(7)	Yue (2017) Ying De Shi Bu Dong Chan Quan No. 0028841	3,181.20	Industrial
(8)	Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0005363	351.00	Industrial
(9)	Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0005364	528.00	Industrial
(10)	Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0005365	2,012.65	Dormitory
(11)	Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0005366	432.00	Industrial
(12)	Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0033481	1,562.95	Industrial
(13)	Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0033477	2,158.00	Industrial
	Total	20,381.35	

3. For the remaining buildings of the property (2 recycling factories, 2 warehouses, a liquid ammonia shed and portions of comprehensive recycling factory II) with a total gross floor area of approximately 7,715.40 sq.m., we have not been provided with any Real Estate Title Certificates.

4. In the valuation of the property, we have attributed no commercial value to such buildings mentioned in note 3 which have not obtained any Real Estate Title Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) would be RMB6,946,000 as at the valuation date.

5. As advised by the Group, a recycling factory and a warehouse mentioned in note 3 with a total gross floor area of approximately 1,100.40 sq.m. were demolished in July 2019.

6. Pursuant to a mortgage contract — No. GDY47703012017009 entered into between Zhiyuan New Material and The Bank of China, Qingyuan Branch, two parcels of land of the property (Ying De Guo Yong (2014) No. 1257 and Ying De Guo Yong (2015) No. 1561) and the buildings thereon (Yue (2016) Ying De Shi Bu Dong Chan Quan Nos. 0009432, 0009437, 0009439 and 0009441, Yue (2018) Ying De Shi Bu Dong Chan Quan Nos. 0005365, 0005366, 0005364 and 0005363) are subject to mortgages in favour of The Bank of China, Qingyuan Branch.

7. We have been provided with legal opinions regarding the property interest by the Company's PRC Legal Advisers, which contains, *inter alia*, the following:

   a. Zhiyuan New Material is legally in possession of the land use rights of the property by means of grant and has obtained the State-owned Land Use Rights Certificates and Real Estate Title Certificates. Zhiyuan New Material has the rights to legally occupy, use, transfer, lease, mortgage or use the land use rights of the property for operating activities in accordance with relevant PRC laws and regulations;

   b. Zhiyuan New Material has legally obtained the Real Estate Title Certificates for the buildings mentioned in note 2 and held the ownership rights of such buildings. Zhiyuan New Material has the rights to legally use such buildings in accordance with relevant PRC laws and regulations;

   c. Except for the land parcels and buildings mentioned in note 6, the property are not subject to any restrictions arising from mortgage and sequestration, or any risks, obstacles and illegalities as at the issuance date of the legal opinion;

   d. As confirmed by the Group, the recycling factory and warehouse mentioned in note 5 have been demolished as at the issuance date of the legal opinion;

   e. Pursuant to 2 Certificates issued by the Housing and Urban-Rural Development Bureau of Yingde ("the Bureau") dated 21 June 2019 and by the Department of Planning and Construction of Qiaotou Town, Yingde ("the Department") dated 29 May 2019, Zhiyuan New Material is not subject to any administrative punishments by the Bureau and the Department as at the issuance date. The Bureau and the Department will assist Zhiyuan New Material in completing related procedures without demolishing the buildings mentioned in note 3 (excluding the buildings mentioned in note 5). Pursuant to another Confirmation Letter issued by Yingde Real Estate Registration Center dated 16 July 2019, Zhiyuan New Material has applied for registration of Real Estate Title Certificates for the buildings mentioned in note 3 (excluding the buildings mentioned in note 5). There is no legal impediment for Zhiyuan New Material to obtain these Real Estate Title Certificates which is estimated to be no later than December 2020; and

   f. There is no practical dispute and potential entanglement for Zhiyuan New Material in using the buildings mentioned in note 3 and no material legal impediment to obtain the Real Estate Title Certificates of these buildings. Zhiyuan New Material will integrally hold the legal rights of these buildings after finishing the registration of property rights.

VALUATION CERTIFICATE

Group II — Property interest contracted to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2019
				RMB
2.	Zone B of the plant of Zhiyuan New Material located at Hongqiao Village Qiaotou Town Yingde City Qingyuan City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 21,904.81 sq.m. and the remaining portion of comprehensive recycling factory II erected thereon which was completed in 2010. The building of the property has a total gross floor area of approximately 1,000 sq.m. and mainly used for storage. The land use rights of the property would be contracted to be granted.	Portions of the property were completed and the remaining portion was bare land as at the valuation date	No commercial value

Notes:

1. Pursuant to a Land Acquisition Agreement entered into between the Government of Qiaotou Town and Qiaotou Yuanqian Villagers Group and a Supplemental Land Acquisition Agreement entered into between the Government of Qiaotou Town and the Guangdong Zhiyuan New Material Company Limited ("Zhiyuan New Material", a wholly-owned subsidiary of the Company), several parcels of land (including the land parcels of the property) with a total site area of approximately 167 mu (i.e. approximately 111,333.89 sq.m.) were contracted to be acquired by Zhiyuan New Material.

2. Pursuant to a Letter — Ying Guo Tu Zi Li Yong Han (2016) No. 24 issued by the Land and Resources Bureau of Yingde dated 8 March 2016, the land parcels of the property in Group I and II have a total site area of approximately 169.96 mu (i.e. 113,306.67 sq.m.).

3. We have not been provided with any State-owned Land Use Rights Certificates of Real Estate Title Certificates of the property.

4. As the State-owned Land Use Rights Certificates and Real Estate Title Certificates of the property have not been obtained by the Group as at the valuation date, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the land use rights of property is RMB4,402,000 and the depreciated replacement cost of the building (excluding the land) is RMB442,000, assuming the land acquisition fee has been fully paid and the relevant title certificates have been obtained by the Group.

5. We have been provided with legal opinions regarding the property interest by the Company's PRC Legal Advisers, which contains, *inter alia*, the following:

   a. Pursuant to a Certificate issued by the Natural Resources Bureau of Yingde (the "Natural Resources Bureau") dated 11 June 2019, Zhiyuan New Material has no dispute or entanglement with the Natural Resources Bureau since its establishment dated 9 May 2006. The risk for the Group to be punished by relevant government department for the existence of the building is low and will have no material adverse impact on the production and operation of the Group; and

   b. There is no practical dispute and potential entanglement for Zhiyuan New Material in using the above-mentioned building and no material legal impediment to obtain the Real Estate Title Certificate. Zhiyuan New Material will integrally hold the legal rights of the building after finishing the registration of property rights.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 May 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [*date*] 2019 with effect from the **[REDACTED]**. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not

less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as our Directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as our Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as our Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are **[REDACTED]** on the Stock Exchange, titles to such **[REDACTED]** shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such **[REDACTED]** shares. The register of members in respect of its **[REDACTED]** shares (whether the **[REDACTED]** or a **[REDACTED]**) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such **[REDACTED]** shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that our Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

Our Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as our Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as our Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, our board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if our Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as our Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to our Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of our Board for six (6) consecutive months, and our Board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

Our Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine and our Board may revoke or terminate any of such appointments. Our Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

Our Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of our Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor our Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of our Board, be unlawful or impracticable or that based on legal opinions provided by legal advisers, our Board considers it necessary or expedient not to offer the shares to such members on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of our Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors are also entitled to be prepaid or repaid all travelling,

hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such extra remuneration as our Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as our Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

Our Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex employees of our Company and their dependents or any class or classes of such persons.

Our Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as our Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Our Board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as our Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to our Directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of our Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of our Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which our Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where our Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of our Board

Our Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

Our Company must hold an annual general meeting of our Company every year other than the year of our Company's adoption of the Articles within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of not more than 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to our board or the secretary for the purpose of requiring an extraordinary general meeting to be called by our board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our board shall be reimbursed to the requisitionist(s) by our Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than 21 clear days and not less than 20 clear business days. All other general meetings must be called by notice of at least 14 clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

Our Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as our board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by our Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and our Directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and our Directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by our Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, our Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit.

Our Company may also upon the recommendation of our Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by our Board and shall revert to our Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by our Board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by our Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company

consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 23 August 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to

the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 26 May 2017. Our Company was registered under Part 16 of the Companies Ordinance on 4 September 2017. Our principal place of business in Hong Kong is at Workshop E, 7th Floor, Derrick Industrial Building, No. 49 Wong Chuk Hang Road, Hong Kong. Mr. Chan Hon Wan has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix IV to this document.

2. Changes in share capital of our Company

(a) Change in authorised share capital

As at the date of the incorporation of our Company, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each.

The authorised share capital of our Company was increased from HK$380,000 to HK$[10,000,000] by the creation of [962,000,000] new Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below and subject to the conditions contained therein.

Pursuant to the resolutions passed by our Board and our Shareholders on [●], an aggregate of **[REDACTED]** Shares will be issued and allotted on the **[REDACTED]** under the Capitalisation Issue to our Shareholders whose names appear on the register of members of our Company as at the date of these resolutions.

Immediately following completion of the Capitalisation Issue and **[REDACTED]** (without taking into account of any Shares which may be issued and allotted pursuant to the exercise of the options which may be granted under the Share Option Scheme), our authorised share capital will be **[REDACTED]** divided into **[REDACTED]** Shares, of which **[REDACTED]** Shares will be issued fully paid or credited as fully paid, and **[REDACTED]** Shares will remain unissued. Other than pursuant to the exercise the options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this paragraph and in the paragraph headed "1. Incorporation of our Company" and "3. Resolutions of our Shareholders" of this Appendix and the section headed "History, Reorganisation and Corporate Structure" in this document, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions of our Shareholders

By resolutions in writing of all of our Shareholders passed on [●], pursuant to which, among other matters:

(a) [our Company conditionally approved and adopted the Memorandum of Association and the Articles of Association, the terms of which are summarised in Appendix IV to this document;

(b) the authorised share capital of our Company was increased from HK$380,000 to HK$**[REDACTED]** by the creation of **[REDACTED]** new Shares; and

(c) conditional on (i) the **[REDACTED]** Division of the Stock Exchange granting **[REDACTED]** of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this document including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme; and (ii) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional and not being terminated in accordance with the terms of the **[REDACTED]** or otherwise, in each case on or before the date falling 30 days after the date of the issue of this document:

(i) the **[REDACTED]** and the **[REDACTED]** were approved and our Directors were authorised to allot and issue the **[REDACTED]** pursuant to the **[REDACTED]** and to allot and issue additional Shares pursuant to the exercise of the **[REDACTED]**;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "12. Share Option Scheme" in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the **[REDACTED]** or otherwise having sufficient balance, our Directors were authorised to capitalise HK$**[REDACTED]** standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par **[REDACTED]** Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on [●] (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be issued and allotted) to their then existing respective shareholdings in our Company and so that the Shares be issued and allotted pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, script dividend schemes or similar arrangements in accordance with the Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or under the **[REDACTED]** or the Capitalisation Issue, Shares with an aggregate number of not exceeding the sum of (aa) 20% of the aggregate number of issued shares of our Company immediately following completion of the **[REDACTED]** and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; (bb) the number of issued shares of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (vi) below, until the conclusion of the next general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be **[REDACTED]** and recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), such number of Shares as will represent up to 10% of the aggregate number of the issued shares of our Company immediately following completion of the **[REDACTED]** and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (v) above to include the number of Shares which may be purchased or repurchased pursuant to (vi) above; and

(d) the form and substance of each of the service agreements made between our executive Directors and our Company, and the form and substance of each of the appointment letters made between our non-executive Director and our Company, and between each of our independent non-executive Directors and our Company, were approved.

4. Changes in share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountants' Report set out in Appendix I to this document.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this document, there is no alteration in the share capital of our subsidiaries which took place within the two years immediately preceding the date of this document.

5. Group Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for **[REDACTED]**, steps of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in this document.

6. Repurchase by our Company of our own securities

This section includes information relating to the repurchase of securities, including information required by the Listing Rules to be included in this document concerning such repurchase. The Listing Rules permit companies whose primary **[REDACTED]** is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up) by a company **[REDACTED]** on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by our Shareholders on [●], the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate numbers of issued Shares immediately following completion of the Capitalisation Issue and the **[REDACTED]** but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first. (Please refer to the above paragraph headed "3. Resolutions of our Shareholders" in this Appendix for further details).

(b) Source of funds

Any repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association, Listing Rules and all the applicable Companies Law. We may not repurchase our own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by us may be made out of our profits, our share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of either or both of our profits or our share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital.

(c) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing its Shares on the Main Board of the Stock Exchange from a core connected person and a core connected person shall not knowingly sell his/her/its Shares to our Company.

No core connected person has notified our Company that he/she/it has a present intention to sell his/her/its Shares to our Company, or has undertaken not to do so, if any repurchase mandate is exercised.

(d) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(e) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(f) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles, and the applicable laws of the Cayman Islands.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

Our Company has not made any repurchase of its own securities since its incorporation.

(g) Takeovers Code

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

7. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this document and are or may be material:

(a) the Deed of Indemnity; and

(b) the **[REDACTED]**.

8. Intellectual property rights of our Group

Patents

As at the Latest Practicable Date, members of our Group have registered the following patents:

No.	Title	Type	Place of registration	Registration number	Date of grant	Date of expiry	Significance
1	An anti-clogging spray tower (一種防堵塞噴淋塔)	Utility Patent	The PRC	ZL201120495097.X	11 July 2012	24 November 2021	*Note 1*
2	An extraction cleanser (一種萃取澄清器)	Utility Patent	The PRC	ZL201120499593.2	11 July 2012	4 December 2021	*Notes 2 and 3*
3	An oil removing device for tantalum liquid (一種鉭液除油裝置)	Utility Patent	The PRC	ZL201120495100.8	11 July 2012	24 November 2021	*Note 2*
4	A device for removing fluorine and drying (一種除氟烘乾裝置)	Utility Patent	The PRC	ZL201120495110.1	11 July 2012	24 November 2021	*Note 2*
5	An extractor of solvent (一種溶劑萃取器)	Utility Patent	The PRC	ZL201120472188.1	11 July 2012	14 November 2021	*Note 2*
6	A combined device for clearing fluorine (一種組合式洗氟裝置)	Utility Patent	The PRC	ZL201120472192.8	11 July 2012	14 November 2021	*Notes 2 and 3*
7	A feeder for pulp extraction (一種礦漿萃取給料裝置)	Utility Patent	The PRC	ZL201120472178.8	11 July 2012	14 November 2021	*Note 3*
8	A feeder (一種給料裝置)	Utility Patent	The PRC	ZL201220029546.6	29 August 2012	11 January 2022	*Note 2*
9	A method of preparing super high-purity tantalum metal of target material grade (一種靶材級超高純鉭金屬的製取方法)	Invention	The PRC	ZL201110316023.X	28 August 2013	8 October 2031	*Note 2*
10	A device for observing phase interface in extraction tank (一種萃取槽相介面觀察裝置)	Utility Patent	The PRC	ZL201320557293.4	12 February 2014	9 September 2023	*Note 2*
11	A transmission gear for extraction tank (一種萃取槽的傳動裝置)	Utility Patent	The PRC	ZL201320557291.5	12 February 2014	9 September 2023	*Notes 2 and 3*
12	A method of manufacturing crucible for production of niobium pentoxide and tantalum pentoxide (一種氧化鈮、氧化鉭生產用坩堝的製造方法)	Invention	The PRC	ZL201310409416.4	21 January 2015	10 September 2033	*Notes 2 and 3*

No.	Title	Type	Place of registration	Registration number	Date of grant	Date of expiry	Significance
13	A method of recycling tin from waste water containing tin (一種從含錫廢液中回收錫的方法)	Invention	The PRC	ZL201310409160.7	27 May 2015	10 September 2033	*Notes 2 and 3*
14	A mobile nozzle of spray tower (一種噴淋塔活動式噴頭裝置)	Utility Patent	The PRC	ZL201420793730.7	27 May 2015	15 December 2024	*Note 1*
15	A combined device for efficient dedusting and elution (一種高效除塵、淋洗一體化裝置)	Utility Patent	The PRC	ZL201520948132.7	7 September 2016	24 November 2025	*Notes 1 and 3*
16	A reaction kettle for continuous neutralisation reaction (一種連續式中和反應釜)	Utility Patent	The PRC	ZL201720143800.8	24 October 2017	15 February 2027	*Note 1*
17	A method of recycling tungsten from waste water containing tungsten (一種從含鎢廢液中回收鎢的方法)	Invention	The PRC	ZL201410777734.0	12 December 2017	16 December 2034	*Note 2*
18	A reaction kettle for environmentally-friendly neutralisation reaction (一種環保型中和反應釜)	Utility Patent	The PRC	ZL201720143798.4	13 March 2018	15 February 2027	*Notes 1 and 2*
19	A device for tantalum and niobium decomposition (一種鉭鈮分解裝置)	Utility Patent	The PRC	ZL201820234603.1	18 September 2018	8 February 2028	*Notes 2 and 3*
20	A device for tantalum and niobium neutralisation and precipitation (一種鉭鈮中和沉澱裝置)	Utility Patent	The PRC	ZL201820800473.3	11 December 2018	24 May 2028	*Note 1*
21	A device for the safe decomposition leaching of alloy containing tantalum and niobium (一種用於含鉭鈮合金的安全分解浸出的裝置)	Utility Patent	The PRC	ZL201820800472.9	11 December 2018	24 May 2028	*Notes 1 and 3*
22	An integrated restoration device for analysis and detection (一種分析檢測用一體式還原裝置)	Utility Patent	The PRC	ZL201820817268.8	15 January 2019	24 May 2028	*Note 2*

No.	Title	Type	Place of registration	Registration number	Date of grant	Date of expiry	Significance
23	An elution device for efficient removal of waste gas from decomposition of tantalum and niobium (一種高效去除鉭鈮分解廢氣的淋洗裝置)	Utility Patent	The PRC	ZL201820243442.2	29 January 2019	10 February 2028	*Note 1*
24	A reaction kettle for environmentally-friendly neutralisation reaction (一種環保型中和反應釜)	Invention	The PRC	ZL201710084442.2	17 May 2019	15 February 2037	*Notes 1 and 2*

Notes:

1. These patents are designed to enhance environmental pollution control during our production process.

2. These patents are designed to increase the efficiency of our production process and/or to reduce production cost.

3. These patents are designed to reduce maintenance cost of our production machinery and equipment.

As at the Latest Practicable Date, members of our Group have applied for the following patents:

No.	Title	Type	Place of registration	Application number	Date of application
1	A treatment process of wastewater containing fluorine, ammonia and nitrogen (一種含氟氨氮廢水的處理工藝)	Invention	The PRC	201510827441.3	25 November 2015
2	A method of preparing large loose specific weight and spherical niobium pentoxide (一種大松裝比重、球形五氧化二鈮的製備方法)	Invention	The PRC	201611145833.2	13 December 2016
3	A method of treating waste water containing fluorine, ammonia and nitrogen from tantalum and niobium industry (一種鉭鈮工業含氟氨氮廢水的資源化處理方法)	Invention	The PRC	201611146882.8	13 December 2016
4	A reaction kettle for continuous neutralisation reaction (一種連續式中和反應釜)	Invention	The PRC	201710084003.1	16 February 2017
5	A recycling method for industrial wastewater containing fluorine (一種含氟工業廢水的回收方法)	Invention	The PRC	201710129856.2	7 March 2017
6	A method to prepare high purity niobium oxide from alloy containing tantalum, niobium and iron (一種鈮鉭鐵合金製取高純氧化鈮的方法)	Invention	The PRC	201810966562.X	23 August 2018

No.	Title	Type	Place of registration	Application number	Date of application
7	A preparation method of low antimony niobium oxide and a preparation method of low antimony tantalum oxide (一種低銻氧化鈮的製備方法及一種低銻氧化鉭的製備方法)	Invention	The PRC	201810966539.0	23 August 2018
8	Extraction agent for extraction of tantalum and niobium and its preparation method, extraction method of tantalum and niobium (用於萃取鉭鈮的萃取劑及製備方法、鉭鈮萃取方法)	Invention	The PRC	201811264481.1	26 October 2018
9	A method for removing copper element in the production process of niobium oxide product (一種在鉭鈮氧化物產品生產過程中去除銅元素的方法)	Invention	The PRC	201811603140.2	26 December 2018
10	A resource recovery treatment method of fluorine-containing wastewater of hydrometallurgical process of tantalum and niobium* (一種鉭鈮濕法冶煉含氟碱性廢水的資源化治理方法)	Invention	The PRC	201811630859.5	29 December 2018
11	A method for determining fluorine content in fluorine-containing liquid during hydrometallurgical process of tantalum and niobium* (一種鉭鈮濕法冶煉過程中的含氟液體中氟含量的測定方法)	Invention	The PRC	201811645708.7	30 December 2018

Trademark

As at the Latest Practicable Date, members of our Group have registered the following trademarks:

No.	Trademark	Place of registration	Class	Registration No.	Date of Registration	Date of expiry
1	稀美資源	Hong Kong	6, 36, 40 *(Note 1)*	304219218	26 July 2017	25 July 2027
2	致远新材	The PRC	40 *(Note 2)*	27864327	21 December 2018	20 December 2028

As at the Latest Practicable Date, members of our Group have applied for the following trademarks:

No.	Trademark	Place of registration	Class	Application No.
1	致远新材	The PRC	35 *(Note 3)*	27872741
2	致远新材	The PRC	6 *(Note 4)*	27872148

Notes:

1. The specific goods or services (as the case may be) under the respective classes in respect of which these trademarks were registered for under the Hong Kong trademark law are as follows:

Class	Goods/Services
6	Tantalum (metal); niobium; titanium; tungsten; tin; nickel; metal powder; cobalt (unprocessed); manganese; zinc
36	Capital investment; finance management; finance lease; fund investment; budget
40	Tin welding; electroplating; tin plating; zinc plating; metal processing; metal tempering; nickel plating; refining

2. The specific goods or services (as the case may be) under the respective classes in respect of which these trademarks were registered for under the PRC trademark law are as follows:

Class	Goods/Services
40	Electroplating; tin plating; zinc plating; metal processing; metal tempering; nickel plating; refining; tin welding

3. The specific goods or services (as the case may be) under the respective classes in respect of which these trademarks were registered for under the PRC trademark law are as follows:

Class	Goods/Services
35	Advertising; business management; business administration; office functions

4. The specific goods or services (as the case may be) under the respective classes in respect of which these trademarks were registered for under the PRC trademark law are as follows:

Class	Goods/Services
6	Common metals and their alloys; metal ores; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; ores

Copyright

As at the Latest Practicable Date, members of our Group have registered the following copyright:

Copyright	Place of registration	Registration No.	Date of registration
致远新材 ZHIYUAN NEW MATERIAL	The PRC	國作登字-2019-F-00781622	15 May 2019

Domain name

As at the Latest Practicable Date, members of our Group have registered the following domain name:

Domain name	Registration date	Expiry date
zhiyuanm.com	12 April 2017	12 April 2022

9. Related party transactions

Save as disclosed in note 28 to the Accountants' Report, during the two years immediately preceding the date of this document, we have not engaged in any other material related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

10. Directors

(a) Disclosure of interests of Directors

(i) Mr. Wu is interested in the Reorganisation.

(ii) Save as disclosed in this document, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this document.

(b) Particulars of 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 **[REDACTED]**. 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 and on the expiry of every successive period of one year thereafter, unless either party has given at least three months' written notice of non-renewal before the expiry of the then existing term.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment after 31 December 2019 at the discretion of our Directors of not more than 5% of the annual salary immediately prior to such increase). In addition, each of our executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all our executive Directors for any financial year of our Company may not exceed 10% of the audited combined or consolidated audited net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of our Company. An executive Director is required to abstain from voting and is not counted towards the quorum in respect of any resolution of our Directors regarding the amount of the monthly salary and the discretionary bonus payable to him/her. The current basic annual salaries (excluding discretionary bonus) of our executive Directors are as follows:

Name	Annual salary
	HK$'000
Mr. Wu	1,000
Mr. Wu Shandan	580

Non-executive Directors

Each of our non-executive Director and our independent non-executive Directors [has] been appointed for an initial term of three years commencing from the **[REDACTED]** renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by our non-executive Director and our independent non-executive Directors or our Company expiring at the end of the initial term or at any time thereafter. The current basic annual salaries of our non-executive Directors are as follows:

Name	Annual salary
	HK$'000
Mr. Zeng Min	120
Mr. Lau Kwok Fai Patrick	150
Mr. Zhong Hui	100
Mr. Yin Fusheng	100

Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Remunerations of Directors

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of each of FY2016, FY2017, FY2018 and 4M2019 was approximately RMB0.9 million, RMB1.0 million, RMB0.9 million and RMB0.3 million, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 December 2019, are expected to be approximately RMB1.2 million.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the each of FY2016, FY2017, FY2018 and 4M2019 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of FY2016, FY2017, FY2018 and 4M2019.

(d) Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the [REDACTED]

Immediately following completion of the Capitalisation Issue and the **[REDACTED]** and taking no account of any Shares which may be issued and allotted pursuant to the Share Option Scheme, the interests or short positions of our Directors in the Shares, underlying Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules required to be notified to our Company and the Stock Exchange, will be as follows:

Name of Director	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding (%)
Mr. Wu	Interest of controlled corporations	**[REDACTED]** *(Note 2)*	**[REDACTED]**

Notes:

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

2. These represents Shares to be held by Jiawei Resources Seychelles, which was wholly owned by Mr. Wu as at the Latest Practicable Date.

Save as disclosed above, so far as our Directors are aware, immediately following completion of the Capitalisation Issue and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account of any Shares which may be issued and allotted upon the exercise of any option granted under the Share Option Scheme), none of our Directors and chief executive of our Company has any interests or short positions in the shares or underlying shares and debentures of our Company or its associated corporations which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are **[REDACTED]**, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are **[REDACTED]**, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules to be notified to our Company and the Stock Exchange once the Shares are **[REDACTED]**.

11. Interests discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the **[REDACTED]** and taking no account of any Shares which may be issued and allotted pursuant to the Share Option Scheme, other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed "Interests and short positions of our Directors in the Shares, underlying shares or debentures of our Company and our associated corporations following the **[REDACTED]**" above, the following persons will have an interest or short position in the Shares or

underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of our Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of our Group will be as follows:

Name of Substantial Shareholders	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding (%)
Jiawei Resources Seychelles	Beneficial owner	**[REDACTED]**	**[REDACTED]**
Ms. Ruan Xiaomei	Interest of spouse	**[REDACTED]**	**[REDACTED]**
MACRO-LINK Cayman	Beneficial owner	**[REDACTED]**	**[REDACTED]**
MACRO-LINK International	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**
MACRO-LINK Industrial	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**
MACRO-LINK Holding	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**
XiZang ChangShi	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**
Mr. Fu Kwan	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**
Ms. Wu Xiangming	Interest of spouse	**[REDACTED]**	**[REDACTED]**
Ms. Xiao Wenhui	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**
Mr. Chen Bin	Interest of spouse	**[REDACTED]**	**[REDACTED]**

Notes:

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

2. Ms. Ruan Xiaomei is the spouse of Mr. Wu. By virtue of the SFO, Ms. Ruan Xiaomei is deemed to be interested in all the Shares held by Mr. Wu.

3. As at the Latest Practicable Date, MACRO-LINK Cayman was owned by MACRO-LINK International as to approximately 96.33%, which was in turn wholly owned by MACRO-LINK Industrial, which was in turn wholly-owned by MACRO-LINK Holding, which was in turn owned by, among others, Changshi Investment, Mr. Fu Kwan and Ms. Xiao Wenhui as to approximately 93.40%, 2.83% and 0.11%, respectively. As at the Latest Practicable Date, XiZang ChangShi was owned by, among others, Mr. Fu Kwan and Ms. Xiao Wenhui by approximately 59.76% and 33.46%, respectively.

4. Ms. Wu Xiangming is the spouse of Mr. Fu Kwan. By virtue of the SFO, Ms. Wu Xiangming is deemed to be interested in all the Shares held by Mr. Fu Kwan.

5. Mr. Chen Bin is the spouse of Ms. Xiao Wenhui. By virtue of the SFO, Mr. Chen Bin is deemed to be interested in all the Shares held by Ms. Xiao Wenhui.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account of any Shares which may be issued and allotted upon the exercise of any option granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange

under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group.

11. Disclaimers

Save as disclosed in this document:

(a) taking no account of any Shares which may be taken up or acquired under the **[REDACTED]** or any Shares which may be issued and allotted upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the **[REDACTED]** will have an interest or short position in our Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other members of our Group;

(b) none of our Directors or chief executive of our Company has for the purpose of Divisions 7 and 8 of Part XV of the SFC or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFC, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interest which will have to be entered in the register of to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Appendix 10 to the Listing Rules once our Shares are **[REDACTED]** on the Stock Exchange;

(c) none of our Directors nor any of the experts listed in paragraph headed "19. Qualifications of experts" below has been interested, directly or indirectly, in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group; and

(e) save in connection with the **[REDACTED]**, none of the experts listed in paragraph headed "19. Qualifications of experts" below:

  i. is interested legally or beneficially in any securities of any member of our Group; or

  ii. has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

12. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on [●]:

(i) Purpose of the scheme

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

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph 12, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

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

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

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

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

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

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

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

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

and, for the purpose of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' option as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

(aa) The maximum number of Shares which may be issued and allotted upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of the issued share capital of our Company from time to time.

(bb) The total number of Shares which may be issued and allotted upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which **[REDACTED]** (the "**General Scheme Limit**").

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued and allotted upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to our Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to

how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

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

(v) Grant of options to connected persons

(aa) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the Listing Rules) must be approved by independent non-executive Directors (excluding any independent non-executive Director who or whose associates is the grantee of the options).

(bb) Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million;

such further grant of options must be approved by our Shareholders in general meeting. Our Company must send a circular to our Shareholders. All core connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates must be approved by our Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

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

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price for Shares under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of our Shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares to be issued and allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been only entered on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, reclassification or reduction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to the knowledge of our Company until we have announced the information in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of our Directors for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the last date on which our Company must publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no option may be granted.

Our Directors may not grant any option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive Director but not any non-executive Director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and in the event of him ceasing to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine or, if any of the events referred to in sub-paragraph (xvi) or (xvii) occur during such period.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and any member of our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of any member of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option scheme shall lapse as a result of (1), (2) or (3) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over **[REDACTED]** re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares issued and allotted to him in the aforesaid manner, to participate in the distribution of the assets

of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares to which the Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by our Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (vi);

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and

(cc) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Others

(aa) The Share Option Scheme is conditional on the **[REDACTED]** granting the **[REDACTED]** of and permission to deal in, such number of Shares representing the General Scheme Limit to be issued and allotted by our Company pursuant to the exercise of any options in accordance with the terms and conditions of the Share Option Scheme.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with prior sanction of a resolution of our Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature of options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by our Shareholders in general meeting.

(b) Present status of the Share Option Scheme

*(i) Approval of the **[REDACTED]** required*

The Share Option Scheme is conditional on the **[REDACTED]** granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options in accordance with the terms and conditions of the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the **[REDACTED]** for the **[REDACTED]** of and permission to deal in our Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this document, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

13. Estate duty, tax and other indemnities

Our Controlling Shareholders (together, the "**Indemnifiers**") have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract (a) referred to in paragraph 7 above) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before **[REDACTED]**; and

(b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received,

entered into or occurring on or before the **[REDACTED]**, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 April 2019;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 May 2019 and ending on the **[REDACTED]**, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:

  (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or after 1 May 2019; or

  (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 April 2019 or pursuant to any statement of intention made in this document; or

(c) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 April 2019 and which is finally established to be an overprovision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, each of the Indemnifiers has also undertaken to us that he/it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any losses arising from the Reorganisation.

14. Litigation

Save as disclosed in the paragraph headed "Business — Compliance and legal proceedings" in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operation or financial condition of our Company.

15. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$39,000 and are payable by our Company.

16. Promoter

(a) Our Company does not have any promoter.

(b) Within the two years preceding the date of this document, no amount or benefit has been paid or given to, or intended to be paid or given to, any promoters of our Company in connection with the **[REDACTED]** or the related transactions in this document.

17. Agency fees or commissions received

Except as disclosed in the paragraph headed "**[REDACTED]** — Total commission and expenses" in this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the **[REDACTED]** of any capital of any member of our Group within the two years immediately preceding the date of this document.

18. Sponsor

The Sole Sponsor has made an application on behalf of our Company to the **[REDACTED]** for the **[REDACTED]** of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme, being 10% of the Shares in issue on the **[REDACTED]**, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into **[REDACTED]**.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees payable by us in respect of the Sole Sponsor's services as sponsor for the **[REDACTED]** is HK$5.7 million.

19. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Cinda International Capital Limited	Licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities
Ernst & Young	Certified Public Accountants
Ernst & Young Tax Services Limited	Tax adviser
King & Wood Mallesons	PRC legal advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
China Insights Consultancy Limited	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
Hogan Lovells	Legal advisers as to international sanctions law and U.S. laws
Stibbe CVBA/SCRL	Legal advisers as to EU laws
Dixon Y. T. Co	Barrister-at-law in Hong Kong

20. Consents of experts

Each of the experts named in paragraph 19 of this Appendix has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their report and/or letter and/or legal opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

21. Binding effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

22. Taxation of holders of Shares

[REDACTED] in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or **[REDACTED]** in Shares. It is emphasised that none of our

Company, our Directors or the other parties involved in the **[REDACTED]** can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or **[REDACTED]** of or dealing in Shares.

Profits from **[REDACTED]** in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty unless we hold interest in land in the Cayman Islands.

23. Miscellaneous

(a) Save as disclosed in this document

(i) within two years preceding the date of this document:

(aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no part of the shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek **[REDACTED]** of, or permission to deal in, any part of the shares or loan capital on any other stock exchange;

(iii) our Company has no outstanding convertible debt securities;

(iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2019 (being the date to which the latest audited combined financial statements of our Group were made up).

(c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

24. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, the written consents referred to in the paragraph headed "Other information — 20. Consents of experts" in Appendix V to this document and copies of the material contracts referred to in the paragraph headed "Further information about the business of our Company — 7. Summary of material contracts" in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of our Company's Hong Kong legal advisers, Chiu & Partners of 40th Floor, Jardine House, 1 Connaught Place, Hong Kong, from 9:00 a.m. to 6:00 p.m. on Monday to Friday which is not a public holiday from the date of this document up to and including [●] 2019:

(1) the Memorandum of Association and the Articles of Association;

(2) the accountants' report of our Group prepared by Ernst & Young for each of FY2016, FY2017, FY2018 and 4M2019, the text of which is set out in Appendix I to this document;

(3) the audited statutory financial statements of each of the companies comprising our Group for each of FY2016, FY2017, FY2018 and 4M2019;

(4) the letter from Ernst & Young on unaudited **[REDACTED]** financial information, the text of which is set out in Appendix II to this document;

(5) the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this document;

(6) the Companies Law;

(7) the letter of advice prepared by Conyers Dill & Pearman, summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this document;

(8) the legal opinions prepared by our PRC Legal Advisers in respect of the business operations of our Group in the PRC and properties of our Group located in the PRC;

(9) the legal opinion issued by Hogan Lovells in respect of certain aspects of the U.S. laws;

(10) the legal memorandum issued by Stibbe CVBA/SCRL in relation to certain aspects of the EU laws;

(11) the material contracts referred to in the paragraph headed "Further information about the business of our Company — 7. Summary of material contracts" in Appendix V to this document;

(12) the service contracts referred to in the paragraph headed "Further information about Directors, Substantial Shareholders and Experts — 10. Directors" in Appendix V to this document;

(13) the industry report prepared by CIC;

(14) the rules of the Share Option Scheme;

(15) the tax report prepared by Ernst & Young Tax Services Limited;

(16) the written consents referred to in the paragraph headed "Other information — 20. Consents of experts" in Appendix V to this document;

(17) the legal memorandum issued by Hogan Lovells in respect of relevant International Sanctions applicable to our Group; and

(18) the legal opinion issued by Mr. Dixon Y.T. Co in respect of, among others, certain aspects of Hong Kong laws.