

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our Group’s history can be traced back to June 2006 when Yixiang Graphite was founded by Mr. Zhao Changshan, Mr. Zhao and Mr. Zhao Ming. Mr. Zhao Changshan and Mr. Zhao Ming are the father and brother of Mr. Zhao, respectively. Mr. Zhao Changshan, who has stepped down from the management of our Group has entrusted the management and affairs of our Group in the hands of Mr. Zhao, deferring to decisions of Mr. Zhao both at the shareholders’ level and at the senior management level, when Mr. Zhao was general manager and/or executive director of Yixiang Graphite and Yixiang New Energy, since 2008 and up until Mr. Zhao Changshan left our Group. Although Mr. Zhao Ming was named as a shareholder since the establishment of Yixiang Graphite and Yixiang New Energy, his role was that of a passive investor and has not been involved in the affairs of the business of our Group. Mr. Zhao Changshan and Mr. Zhao Ming have each transferred their entire equity interests in Yixiang Graphite and Yixiang New Energy to Mr. Zhao during the Track Record Period. Mr. Zhao Ming had transferred his 30% equity interest in Yixiang Graphite to Mr. Zhao and 33% equity interest in Yixiang New Energy to Mr. Zhao Changshan in December 2019. Mr. Zhao Changshan later transferred his 38% equity interest in Yixiang Graphite and 31.35% equity interest in Yixiang New Energy to the WFOE in December 2020, which is indirectly wholly-owned by Mr. Zhao as at the Latest Practicable Date, upon completion of which Mr. Zhao Changshan had ceased to be a shareholder of the Group. For further details, please see the sub-section headed “— Our corporate development” in this section. Mr. Zhao, our executive Director, chairman of our Board and chief executive officer, has approximately 20 years of experience in the graphite industry and has been involved in the operation of our Group since its establishment. Mr. Zhao has been the sole executive director of both Yixiang Graphite and Yixiang New Energy since May 2019 and throughout the Track Record Period, respectively. Due to family estate planning purpose and the fact that Mr. Zhao Changshan has entrusted the management of the Group to Mr. Zhao since 2008 as evidenced by the two management entrustment agreements entered into between Mr. Zhao Changshan and Mr. Zhao on January 1, 2008 and April 20, 2011 in relation to the entrustment of management decisions in the hands of Mr. Zhao by Mr. Zhao Changshan in relation to the affairs of Yixiang Graphite and Yixiang New Energy respectively, Mr. Zhao Changshan stepped down from his position of executive director of Yixiang Graphite in May 2019. Mr. Zhao Changshan had been in a passive position in the decision-making process of the Group and has always followed decisions of Mr. Zhao in relation to the exercise of his voting rights at the meetings of shareholders of the Group and they voted unanimously with Mr. Zhao in all decisions concerning Yixiang Graphite and Yixiang New Energy throughout the Track Record Period whilst Mr. Zhao Changshan was still in the Group. Prior to founding our Group, Mr. Zhao had served Yixiang Graphite’s predecessor, Jixi Yixiang Graphite Company Limited* (雞西市溢祥石墨有限公司) from April 2002 to May 2004, where he started his career. For further information of Mr. Zhao, please refer to the section headed “Directors and Senior Management — Directors — Executive Directors” in this document. Jixi Yixiang Graphite Company Limited* (雞西市溢祥石墨有限公司) was principally engaged in the mining of graphite ore and the production of flake graphite concentrate. As a result of the exhaustion of resources at the relevant mines in Jixi, extractions of carbon ores became increasingly difficult. Coupled with the promotion of local graphite resources by the Luobei County government on numerous occasions, Mr. Zhao Changshan, Mr. Zhao and Mr. Zhao Ming decided to cease the operation of Jixi Yixiang Graphite Company Limited* (雞西市溢祥石墨有限公司) in 2007 and moved their principal business from Jixi to Hegang, both in Heilongjiang Province, the PRC, and founded Yixiang Graphite.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

We are principally engaged in the production and sale of graphite products in the PRC. As at the Latest Practicable Date, we had two principal operating entities, Yixiang Graphite and Yixiang New Energy. In June 2006, we commenced operations and established Yixiang Graphite for engaging in the beneficiation of flake graphite concentrate with carbon content mainly between 94% and 96.8%. In April 2011, we expanded our operations by establishing Yixiang New Energy which is engaged in the processing of spherical graphite and the extraction operations at our Beishan Mine. In 2019, we acquired the mining rights of our graphite mine located approximately 28 km northwest of Luobei County in Heilongjiang Province in which we began extraction in 2019.

Our Company was incorporated in the Cayman Islands on August 3, 2020 in anticipation of the [REDACTED]. As part of the Reorganization and for the purpose of the [REDACTED], we undertook a series of reorganization steps, upon which our Company became the ultimate holding company of our various subsidiaries. Please refer to the sub-section headed “— Reorganization” in this section for further details.

Business milestones

Set out below are the significant milestones and our corporate and business development since our establishment:

Time	Event
June 2006	Yixiang Graphite was established and commenced business operations in beneficiating and selling flake graphite concentrate
April 2011	Yixiang New Energy was established and commenced business operations
August 2012	Yixiang Graphite was awarded the “Outstanding Private Entrepreneurs of Hegang” (鶴崗市傑出民營企業家) by CPC Hegang Municipal Committee (中共鶴崗市委) and People’s Government of Hegang (鶴崗市人民政府)
September 2012	Yixiang New Energy began processing and selling spherical graphite
July 2013	Yixiang Graphite began its business relationship with Shenzhen Beiterui New Energy Materials Co., Ltd (深圳市貝特瑞新能源材料股份有限公司)
December 2017	Yixiang New Energy was awarded the “Outstanding Distributor” (優秀經銷商) by Heilongjiang Longerjia Photoelectric Technology Co., Ltd (黑龍江隆爾嘉光電科技有限公司)
December 2017	Yixiang New Energy was awarded the “2017 Outstanding Distributor Technology Innovation Award” (優秀供應商技術創新獎) by Shenzhen Beiterui New Energy Materials Co., Ltd (深圳市貝特瑞新能源材料股份有限公司), the largest customer of our Group during the Track Record Period

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Time	Event
March 2018	Yixiang Graphite was awarded the “2017 Safety Production KPI Assessment Advanced Unit” (2017年度安全生產目標考核先進單位) by Heilongjiang Agricultural Reclamation Baoquanling Administration (黑龍江省農墾寶泉嶺管理局)
April 2019	Yixiang New Energy acquired the mining rights of our Beishan Mine located at Yanjun

OUR CORPORATE DEVELOPMENT

For information on our Company and the offshore holdings companies in our Group, please refer to the sub-section headed “— Reorganization — Incorporation of the Company and offshore holding companies” in this section.

Yixiang Graphite

Yixiang Graphite was established in the PRC as a limited liability company on June 26, 2006 with an initial registered capital of RMB500,000. At the time of its establishment, Yixiang Graphite was owned as to 40% by Mr. Zhao Changshan, 30% by Mr. Zhao and 30% by Mr. Zhao Ming. The principal business of Yixiang Graphite is the beneficiation and sales of flake graphite concentrate.

On February 5, 2012, the registered capital of Yixiang Graphite increased from RMB0.5 million to RMB5 million, with the additional RMB4.5 million capital contributed by its respective shareholders, the amount of which was fully settled on March 27, 2012. On December 11, 2019, Mr. Zhao Ming transferred his 30% equity interest in Yixiang Graphite to Mr. Zhao at the consideration of RMB1.5 million, which was fully settled on March 31, 2021. Upon completion of such equity transfer, Yixiang Graphite was held as to 60% by Mr. Zhao and 40% by Mr. Zhao Changshan.

On July 27, 2020, the registered capital of Yixiang Graphite increased from RMB5 million to approximately RMB5.3 million as Ms. Song Meixin (宋美欣), an Independent Third Party, agreed to inject approximately RMB4.7 million into Yixiang Graphite, of which approximately RMB0.3 million was included in the registered capital of Yixiang Graphite. The consideration for such injection was determined based on arm’s length negotiation, having taken into account the asset valuation report of Yixiang Graphite dated May 27, 2020 prepared by an independent valuer, and such consideration was fully settled on October 13, 2020. Upon completion of the capital injection, Yixiang Graphite was owned as to 57% by Mr. Zhao, 38% by Mr. Zhao Changshan and 5% by Ms. Song Meixin. Ms. Song Meixin subsequently transferred her interest in Yixiang Graphite to the WFOE at the consideration of approximately RMB4.7 million pursuant to an equity transfer agreement dated December 14, 2020, as a result of which Ms. Song Meixin no longer had any interest in Yixiang Graphite. To the best of our Directors’ knowledge, Ms. Song Meixin invested in our Group due to her confidence in the business prospects of our Group, and she later decided to divest and leave our Group mainly because she planned to devote more attention and resources to her other investments. The consideration for the transfer was determined based on arm’s length negotiation between the parties, having taken into account the

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

above-mentioned asset valuation of Yixiang Graphite dated May 27, 2020. Please refer to the section headed “Financial Information — Indebtedness — Loan Consideration Capitalization” in this document for details of settlement of consideration for the above-mentioned transfer.

As at the Latest Practicable Date, Yixiang Graphite is wholly-owned by the WFOE. For further information, see the sub-section headed “— Reorganization” in this section.

Yixiang New Energy

Yixiang New Energy was established in the PRC as a limited liability company on April 20, 2011 with an initial registered capital of RMB1 million. At the time of its establishment, Yixiang New Energy was owned as to 67% by Mr. Zhao and 33% by Mr. Zhao Ming. The principal business of Yixiang New Energy is the processing and sales of spherical graphite and the mining operations at our Beishan Mine.

On April 18, 2012, the registered capital of Yixiang New Energy increased from RMB1 million to RMB5 million, with the additional RMB4 million capital contributed by its respective shareholders, the amount of which was fully settled on April 18, 2012. On December 13, 2019, Mr. Zhao Ming transferred his 33% equity interest in Yixiang New Energy to Mr. Zhao Changshan at the consideration of RMB1.65 million which was fully settled on April 1, 2021. Upon completion of such equity transfer, Yixiang New Energy was held as to 67% by Mr. Zhao and 33% by Mr. Zhao Changshan.

On July 27, 2020, the registered capital of Yixiang New Energy increased from RMB5 million to approximately RMB5.3 million as an independent third party, Ms. Song Meixin (宋美欣), agreed to inject RMB0.3 million into Yixiang New Energy. The consideration for such injection was determined based on arm’s length negotiation having taken into account the asset valuation report of Yixiang New Energy dated May 27, 2020 prepared by an independent valuer, and such consideration was fully settled on October 28, 2020. Upon completion of the capital injection, Yixiang New Energy was owned as to 63.65% by Mr. Zhao, 31.35% by Mr. Zhao Changshan and 5% by Ms. Song Meixin. Ms. Song Meixin subsequently transferred her interest in Yixiang New Energy to the WFOE at the consideration of approximately RMB0.3 million pursuant to an equity transfer agreement dated December 14, 2020, as a result of which Ms. Song Meixin no longer had any interest in Yixiang New Energy. To the best of our Directors’ knowledge, Ms. Song Meixin invested in our Group due to her confidence in the business prospect of our Group, and she later decided to divest and leave our Group mainly because she planned to devote more attention and resources to her other investments. The consideration for the transfer was determined based on arm’s length negotiation between the parties, having taken into account the asset valuation report of Yixiang New Energy dated May 27, 2020 prepared by an independent valuer. Please refer to the section headed “Financial Information — Indebtedness — Loan Consideration Capitalization” in this document for details of settlement of consideration for the above-mentioned transfer.

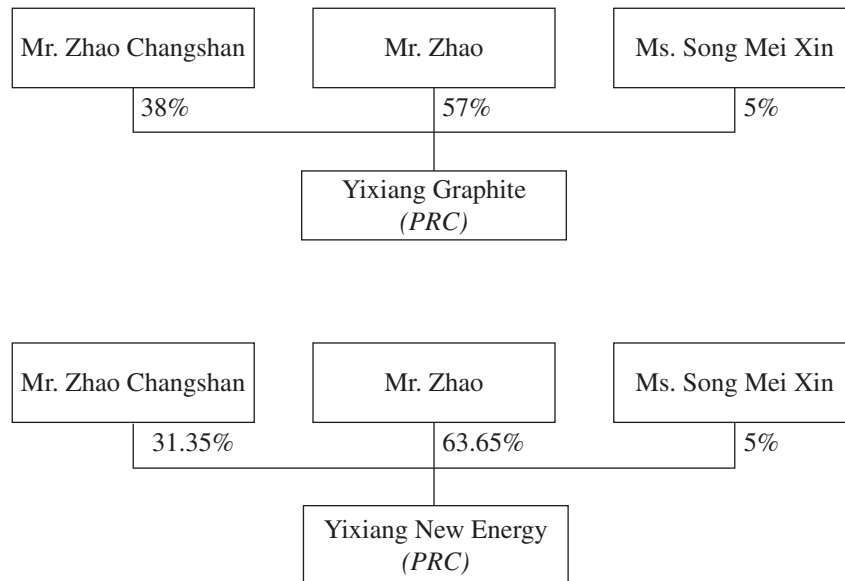
As at the Latest Practicable Date, Yixiang New Energy was wholly-owned by the WFOE. For further information, see the sub-section headed “— Reorganization” in this section.

REORGANIZATION

In order to optimize our corporate structure to further develop the business of our Group and to be more readily accessible to the international capital markets, we underwent a corporate reorganization in preparation for the [REDACTED], the details of which are set out below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately prior to the Reorganization are set out in the charts below:



We carried out the following reorganization steps in preparation for the [REDACTED]:

Incorporation of the Company and offshore holding companies

Sandy Mining Limited

On June 11, 2020, Sandy Mining Limited was incorporated in the BVI with liability limited by shares. On July 2, 2020, one ordinary share of par value US\$1.00 of Sandy Mining Limited was allotted and issued, credited as fully paid at par, to Mr. Zhao.

Our Company

On August 3, 2020, our Company was incorporated in the Cayman Islands as an exempted company with limited liability, with an authorized share capital of HK\$380,000.00, divided into 380,000,000 Shares with a par value of HK\$0.001 each. At the date of incorporation, one Share was allotted and issued to the initial subscriber, an independent third party, which in turn was subsequently transferred to Sandy Mining Limited at nominal consideration on the same day. As a result of the transfer, our Company was wholly owned by Sandy Mining Limited.

Noah Energy Limited

On August 21, 2020, Noah Energy Limited was incorporated in the BVI with liability limited by shares. On August 28, 2020, 50,000 ordinary shares of par value US\$1.00 each of Noah Energy Limited were allotted and issued to our Company. Since then, Noah Energy Limited was wholly owned by our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

China Graphite Holdings Group (HK) Limited

China Graphite Holdings Group (HK) Limited 中國石墨控股集團(香港)有限公司 was incorporated in Hong Kong on August 28, 2020 with Mr. Zhao being its sole shareholder. On September 29, 2020, Mr. Zhao transferred his 10,000 ordinary shares in China Graphite Holdings Group (HK) Limited, representing its entire issued share capital, to Noah Energy Limited. As a result of such transfer, China Graphite Holdings Group (HK) Limited was wholly-owned by Noah Energy Limited.

Establishment of the WFOE and acquisition of 100% equity interests in Yixiang Graphite and Yixiang New Energy

The WFOE was established in the PRC on November 26, 2020 with an initial registered capital of RMB10,000,000. It was founded and wholly-owned by China Graphite Holdings Group (HK) Limited.

On December 14, 2020, the WFOE entered into an equity transfer agreement with each of Mr. Zhao Changshan, Mr. Zhao and Ms. Song Meixin for the acquisition of the entire equity interests in each of Yixiang Graphite and Yixiang New Energy from Mr. Zhao Changshan, Mr. Zhao and Ms. Song Meixin. On December 31, 2020, the WFOE entered into supplemental agreements to the equity transfer agreement dated December 14, 2020 as aforementioned, as a result of which the consideration for the transfer of the equity interests by Mr. Zhao Changshan and Mr. Zhao to the WFOE, respectively, shall be a nominal value of RMB1 each for Yixiang Graphite and Yixiang New Energy. The aggregate consideration for the transfer of the equity interest in Yixiang Graphite and Yixiang New Energy from Ms. Song Meixin to the WFOE was approximately RMB4.9 million, which has been settled in April 2021. Pursuant to such equity transfers, Yixiang Graphite and Yixiang New Energy became wholly owned by the WFOE.

Loan Consideration Capitalization

Pursuant to a loan assignment agreement dated May 15, 2021 entered into among Mr. Zhao, Yixiang Graphite and the WFOE, Mr. Zhao assigned to the WFOE loans due from Yixiang Graphite to Mr. Zhao in the amount of approximately RMB47.0 million. Pursuant to another loan assignment agreement dated May 15, 2021 entered into among Mr. Zhao, Yixiang New Energy and the WFOE, Mr. Zhao assigned to the WFOE loans due from Yixiang New Energy to Mr. Zhao in the amount of approximately RMB26.2 million. The aggregate amount of approximately RMB73.1 million, being the subject matter of the aforementioned loan assignment agreements, represent the entire amount due to our Controlling Shareholders and their related parties as at May 27, 2021, being the date of the deed of loan novation mentioned below.

Pursuant to a deed for loan novation dated May 27, 2021, the Company is substituted in the aforementioned loan assignment agreements and shall pay the consideration in the aggregate amount of approximately RMB73.1 million for such assignments of the loans due from Yixiang Graphite and Yixiang New Energy to Mr. Zhao, respectively. Mr. Zhao, Sandy Mining Limited, the WFOE, Yixiang Graphite, Yixiang New Energy and the Company entered into a loan consideration capitalization deed dated May 27, 2021, whereby the Company agrees to settle such consideration by way of capitalization by allotting and issuing [REDACTED] credited as fully paid to be allotted and issued to Sandy Mining, an entity designated by Mr. Zhao, as full and final settlement of the consideration payable to Mr. Zhao. The Loan Consideration Capitalization will take place immediately prior to the [REDACTED].

[REDACTED]

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the [REDACTED] pursuant to the [REDACTED], our Company will, on the [REDACTED], allot and issue a total of [REDACTED] Shares, credited as fully paid at par, to the Shareholders whose names appeared on the register of members or the principal share register of our

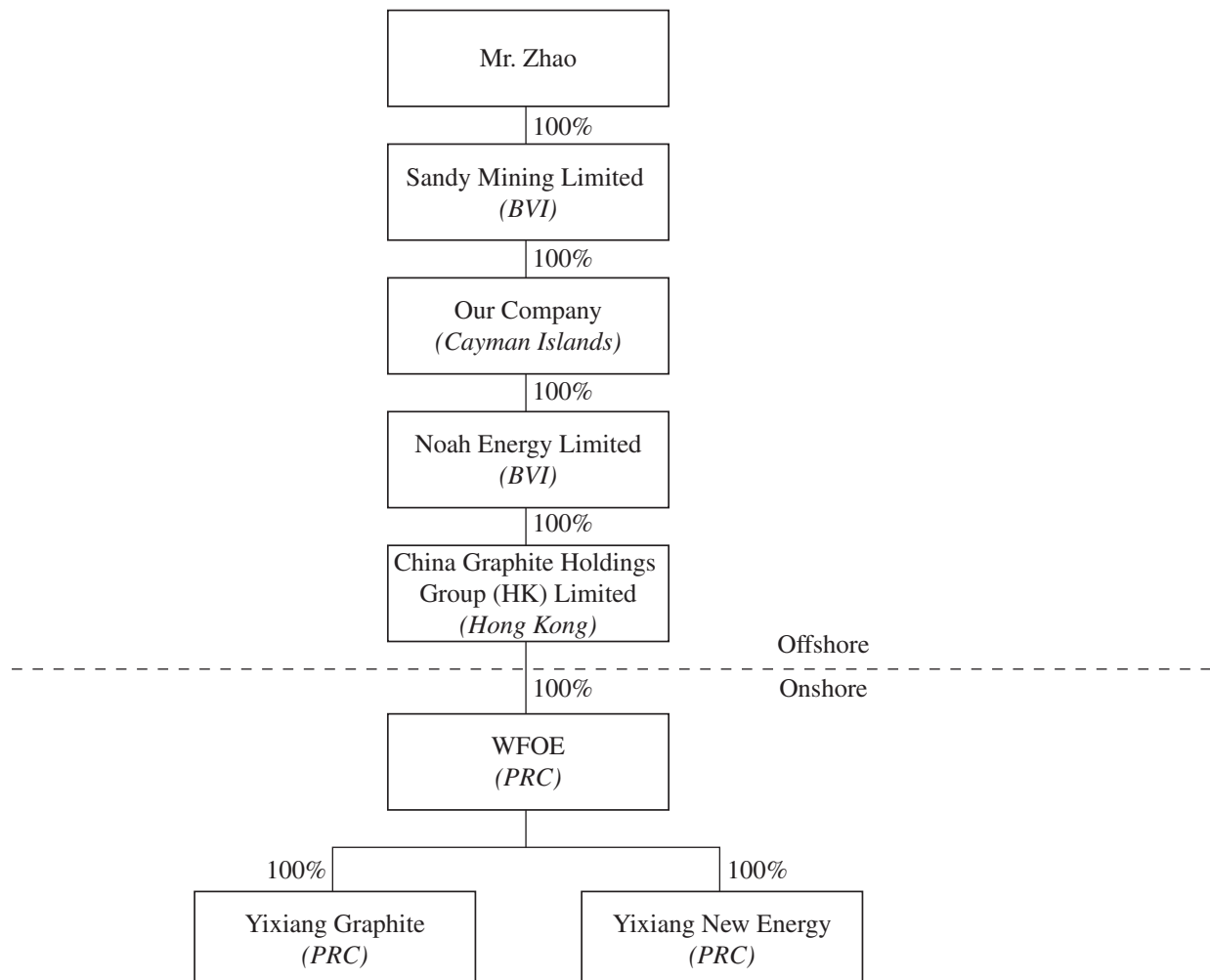
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Company as at the close of business on the date which the resolution of the Shareholder(s) of the Company approving the [REDACTED] was passed (or another date as our Directors may direct), in proportion to their then existing shareholdings in our Company by way of capitalizing of the sum of HK\$[REDACTED] standing to the credit of the share premium account of our Company. The Shares allotted and issued pursuant to the above [REDACTED] will rank *pari passu* in all respects with the existing issued Shares.

Corporate Structures

Corporate structure after the Reorganization, the Loan Consideration Capitalization and the [REDACTED] and before the [REDACTED]

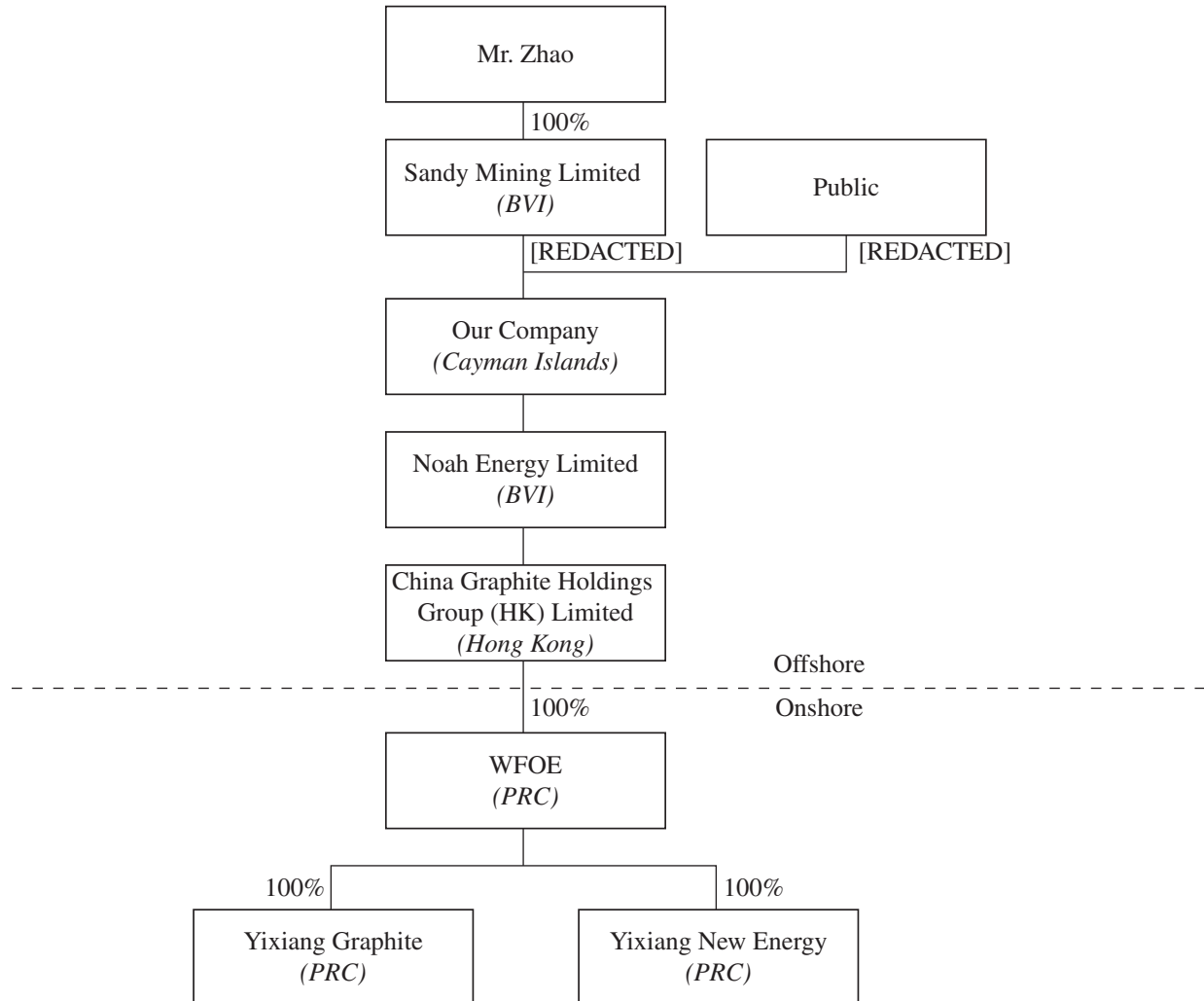
Our corporate and shareholding structure after the Reorganization, the Loan Consideration Capitalization and the [REDACTED] and immediately prior to the completion of the [REDACTED] is as follows:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Corporate Structure Immediately after the [REDACTED]

Our corporate and shareholding structure immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) will be as follows:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC LEGAL COMPLIANCE

As advised by our PRC Legal Advisers, the Reorganization as described above have been granted all necessary regulatory approvals, registrations or filings in accordance with PRC laws and regulations.

M&A Rules

Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise.

As Yixiang Graphite and Yixiang New Energy were sino-foreign joint venture enterprises prior to the WFOE’s acquisitions of the 100% equity interest in each of Yixiang Graphite and Yixiang New Energy, as advised by our PRC Legal Advisers, the WFOE’s acquisitions of the 100% equity interest in each of Yixiang Graphite and Yixiang New Energy are not subject to the M&A Rules, and the [REDACTED] does not require approvals from CSRC and MOFCOM under the M&A Rules.

SAFE Registration

Pursuant to the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and in Return Investment Via Special Purpose Companies 《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》 (the “**Circular 37**”) promulgated by the SAFE and came into force on July 4, 2014, a PRC resident individual, namely, a PRC citizen holding the PRC resident identity card or other lawfully identity documents, or an overseas individual who does not hold a Chinese identity document but has a habitual residence in China due to economic interests (a “**PRC Resident**”) must register with the local branch of SAFE before he contributes legal assets or equity interests in China or overseas in an overseas special purpose vehicle, which is directly incorporated or indirectly controlled by such PRC resident individual for the purpose of overseas investment or financing. According to Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies 《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》 (the “**Circular 13**”) promulgated on February 13, 2015 and became effective on June 1, 2015, the foreign exchange registration aforesaid shall be conducted with local banks instead of the local branch of SAFE.

As confirmed by our PRC Legal Advisers, Mr. Zhao, as our individual beneficial owner and PRC resident who is required to complete the registration under Circular 37 and Circular 13, has completed the foreign exchange registrations on September 16, 2020.