You should carefully consider all of the information set out in this document, including the risks and uncertainties described below before making any investment in the [REDACTED]. Our business, financial condition or results of operations could be affected materially and adversely by any of these risks and uncertainties. The [REDACTED] of the [REDACTED] could decline significantly due to any of these risks and uncertainties, and you may lose all or part of your [REDACTED]. Additional risks and uncertainties not presently known to us or that we currently deem immaterial could also harm our business, financial condition or results of operations.

There are certain risks relating to an [REDACTED] in our Shares. These risks can be categorized into: (i) risks relating to our business and operations; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the [REDACTED] and our Shares; and (v) risks relating to the statements made in this document.

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

Our current business operation depends on the stable supply of unprocessed graphite from our suppliers and also our Beishan Mine

Whilst we continue to source unprocessed graphite from third parties, for the three years ended December 31, 2019, 2020 and 2021, unprocessed graphite extracted from our Beishan Mine represented approximately 60.0%, 52.7% and 50.4% of our total graphite supply. For the three years ended December 31, 2019, 2020 and 2021, the unit cost for procuring unprocessed graphite from our third-party suppliers was approximately RMB63, RMB75 and RMB75 per tonne. The costs for extracting unprocessed graphite from our Beishan Mine were approximately RMB3.8 million, RMB5.6 million and RMB5.2 million, thus approximately RMB14.7 per tonne, RMB26.5 per tonne and RMB20.1 per tonne for the three years ended December 31, 2019, 2020 and 2021, respectively. Our Beishan Mine is expected to continue being our only self-owned graphite mine in the near future, upon which we partially depend on for the supply of unprocessed graphite required for the production of our principal products, namely flake graphite concentrate and spherical graphite. Hence the amount of unprocessed graphite sourced from our Beishan Mine may affect our revenue and cash flows. For instance, seeing the difference in the unit cost of unprocessed graphite extracted as compared to those procured, our material costs will likely increase if we had to rely more on procurement. Similarly, if our Beishan Mine was rendered unoperational due to any circumstances beyond our control, we would incur additional procurement cost at a higher unit cost and decrease our revenue due to cessation of sales of unprocessed marble. Our Beishan Mine is subject to various operating risks and hazards. If we fail to obtain the expected economic benefits from our Beishan Mine due to the occurrence of any event that causes it to operate at a lower capacity than anticipated or other significant negative development, our business, future prospects, financial condition and results of operations could be materially and adversely affected. Furthermore, should our one and only mine be closed and/or discontinued and/or we cannot extend the valid period for mining rights for our Beishan Mine pursuant to the mining license, we will incur significant expenses in procuring more unprocessed graphite. Our Directors believe that it would lead to adverse impacts on our business, financial condition and results of operations.

Fluctuations in the market prices of, and the supply and demand for, graphite related products and our products could materially and adversely affect our business, financial condition and results of operations

Our revenue is mainly derived from the sale of our graphite products. Any drastic change in China's market demand for graphite products, and hence its market price, will have a corresponding impact on the price of our products. Government policies, macroeconomic factors, the global economic environment and other factors beyond our control may result in imbalance in supply and demand for our products, which may in turn lead to fluctuation in market price for our products. In addition, if there are other minerals that can replace or act as a substitute for graphite, the demand for our products may not grow as anticipated, or even decline. There is no assurance that the market price of graphite or our graphite products will not decline in future or that such price will remain at sufficiently high level to ensure our profitability. Any adverse impact on China's market demand or price of graphite and/or our products could materially and adversely affect our business, financial condition and results of operations.

Our business operations are exposed to mining risk, environmental and social risks and workplace safety and occupational health risks and hazards associated with our operations

Our operations are subject to a number of operating risks and hazards, some of which are beyond our control and cannot be completely eliminated through prevention efforts.

Mining risk. These operating risks and hazards of mining include (i) unexpected maintenance or technical problems; (ii) interruptions to our mining operations due to hazardous weather conditions and natural disasters, such as, floods, landslides and earthquakes; (iii) industrial accidents; (iv) electricity or fuel supply interruptions; (v) critical equipment failures in our mining, processing and production operations; (vi) the handling and storage of certain dangerous substances and the use of heavy machinery; (vii) unusual or unexpected variation in the mine and geological or mining conditions, such as instability of the slopes and subsidence of the working areas; and (viii) exposure to noise and dust emission from the open-pit area and from the process of crushing under dry and windy weather conditions. The above risks and hazards may result in personal injury, damage to, or destruction of, properties or production facilities, environmental damages, business interruptions and damage to our business reputation. Further, dust emission from our production process may adversely affect the health of our on-site employees and in extreme cases, it may cause pneumoconiosis or other occupational diseases.

Environmental and social risk. Our Directors are of the view that our current and future operations may be subject to the extensive environmental risks inherent in the mining and processing industries, such as risks of accidental spills, leaks or overflows and discharges from tailing storage or other facilities or other unforeseen circumstances, which could possibly subject us to considerable liability. One of the main environmental issues in the mining industry could potentially be waste water and tailing management. Waste water and tailings can contain substances that are potentially harmful to people and the environment, especially in large quantities. We may be subject to claims for personal injury or damage to property and the environment as a result of waste disposal, improper waste management or other events, such as water or tailing residue being released or overflowed from our operations into the environment, in particular any discharge or overflow into rivers, and the inappropriate and uncontrolled disposal of hazardous waste alongside with domestic waste. In addition, our operations involve handling and storage of toxic and other dangerous materials. Accidents arising from the mishandling of dangerous materials may occur in the future. The occurrence of any of these risks and hazards could result in damage to environment or destruction of production facilities, personal injury, business interruption, delay in production, increased production cost, monetary loss and possible legal liability to us, which could materially and adversely affect our business, financial condition and results of operations. Moreover, our existing mining operations have a limited life and our Directors consider certain procedures are needed to be performed for remediation and rehabilitation of the environmental and social impact been caused on local communities. Operation, rehabilitation, closure and removal of our facilities will incur various costs and are subject to various risks. There is no assurance that the operation and maintenance of our Beishan Mine will be successful on an on-going basis and without delays or additional costs. In the event of non-compliance with applicable requirements on operations and closure of our Beishan Mine, we could be subject to a variety of penalties and other administrative actions, including inability to proceed with certain administrative procedures relating to mining permits, suspension and cancelation or mining permits or ceasing of operations.

Safety and occupational health risks. Our operations may be carried out under potential hazardous conditions. Liabilities might arise in the future as a result of accidents, fatalities or other workforce-related misfortunes, some of which may be beyond our control. Any such events could lead to significant expenditures by us in respect of compensation claims or payments, and insurance may be unavailable or prohibitively expensive. The occurrence of accidents could delay production, increase production costs and result in liability and adverse publicity for us. These factors could have a material adverse effect on our business, financial condition and results of operations. A violation of health and safety laws in relation to a mine or other operating facilities, or failure to comply with instruction imposed by the relevant health or safety authorities, such as, imposing prescribed health and safety measures, adopting work shift systems and organizing union activities, or insufficient protection to employees from health and safety hazards, failure to replace defective personal protective equipment, imposing long working shifts and long working weeks for employees without proper compensation, could lead to, among other, shutdown of all or portion of the mine or relevant facilities, a loss or suspension of the right to mine or operate the relevant facilities, imposition of costly rectification measures and fines, or serious reputational damage to us.

As an inherent risk in the mining industry, we may face disputes or legal actions for injuries or other health or safety related issues suffered by our employees or even death under extreme circumstances, such as operating machinery improperly, industrial accidents and natural hazards. We may also face disputes or legal actions for health related issues suffered by residents neighboring our Beishan Mine due to the noise and dust emission from the open-pit area. Disputes or legal actions of this nature may be expensive and time-consuming, result in significant diversion of resources and management attention from our operations, and adversely affect our business, reputation, financial condition, and results of operations.

In addition, any breakdown of machinery and equipment, difficulties or delays in obtaining replacement machinery and equipment, natural disasters, industrial accidents or other events may temporarily disrupt our operations. Between November 2020 and May 2021, we experienced a temporary suspension in our spherical graphite processing plant's purification stations to conduct enhancement and repair works. We also had a temporary suspension in our processing plant in June 2020 as enhancements were required for our air-drying process. For details, please see "Business — Our business model — Our beneficiation and processing operations — Maintenance of our spherical graphite processing plant". Hence, we had to engage third-party service providers to provide purification services for our unfinished products from November 2020. If we experience any temporary suspension in our production processes and we cannot rectify or engage service providers to process in a timely manner for us or if so, at a higher cost, our business and results of operations would be materially and adversely affected.

The Independent Technical Consultant carried out a risk assessment highlighting the potential risks in relation to our mining operations. For further details on our Group's remedial actions or plan addressing the aforementioned risks, please see "Business — Environmental, Social and Governance (ESG)", covering our implementation status of environmental protection measures recommended by the Independent Technical Consultant, safety inspections conducted by relevant regulatory authority and training sessions provided to our employees by us.

We are subject to credit risk in collecting the trade and bills receivables due from the customers

Our sales are generally made on credit terms of up to three months, and most of our trade receivables were settled by telegraphic transfers or bills issued by financial institutions. Furthermore, our bills receivables generally have maturity period of six to 12 months. As a result, for the three years ended December 31, 2019, 2020 and 2021, the trade and bills receivables turnover days of our Group were approximately 331.6 days, 297.7 days and 284.8 days, respectively. As at December 31, 2019, 2020 and 2021, we had recorded trade receivables of approximately RMB55.1 million, RMB79.1 million and RMB55.5 million, respectively, out of which approximately 5.1%, 5.7% and 8.6% were aged over one year based on due date. Our Directors consider that a long payment period inevitably increases the potential credit risk of our Group. There is no assurance that all such amounts due to our Group will be settled on time. Accordingly, our Group faces credit risk in collecting the accounts receivable due from the customers. For details, please see "Business — Our customers — Payment terms and credit control". Our Group's performance, liquidity and profitability will be adversely affected if significant amounts due to our Group are not settled on time. The bankruptcy or deterioration of the credit condition of any of our major customers could also materially and adversely affect our business and financial condition.

We rely on a limited number of customers for a substantial portion of our revenue

For the three years ended December 31, 2019, 2020 and 2021, revenue generated from our five largest customers amounted to approximately RMB77.8 million, RMB99.6 million and RMB110.5 million, respectively, representing approximately 62.9%, 59.0% and 55.7% of our Group's total revenue, respectively. We may be subject to concentration and counter-party risk from these customers. There is no assurance that we will be able to maintain good business relationships with our existing customers in future. There is also no assurance that we will be able to successfully broaden and diversify our customer base by increasing the number of customers in various different industries. Any decline in our existing customers' business could indirectly lead to a decline in purchase orders for our graphite products. If (i) any of our existing customers were to substantially reduce the quantity of their purchase orders from us or terminate their business relationship with us, and we are not be able to obtain similar quantities of purchase orders from other existing customers or new customers in a timely manner to replace any such lost sales on comparable terms, or at all; or (ii) if there is any adverse event resulting from a general economic downturn, the entry of new competitors to the graphite industry, unanticipated shift in customer preference, government policies or any other factors affecting the demand for our products, our business, financial condition, results of operations and future prospects may be materially and adversely affected.

Our operations are subject to various potential risks as identified by our Independent Technical Consultant, which may disrupt our business operations

The industry in which we operate and our operation of our Beishan Mine is subject to different levels of risks in various areas, such as occupational health and safety, environmental, nature of the mineral body and natural disaster that may affect our mining and production operations. The Independent Technical Consultant carried out a risk assessment highlighting the potential risks in relation to our extraction, beneficiation and processing operations. The table below sets out the initial assessment results, recommendations on prevention, and their risk rating:

Potential risk	Description	Prevention recommendations/ measures implemented	Likelihood	Consequence	Rating
Graphite flake size	Smaller flake size and lower graphitic content, resulting in lower head grade	Regular production grade control and feed ore grade monitoring as well as ore grade reconciliation	Unlikely	Moderate	Low
Geological structure	Geological continuity is disrupted by much complicated geological structures	Production in-fill drilling to further constrain areas with complex geological structures	Unlikely	Moderate	Low
Mineral Resource	Lower Mineral Resource to support Ore Reserve conversion	Lower the current mining elevation limit	Unlikely	Moderate	Low
Mine plan	Failure to meet production targets	Ensure adequate planning to supervision to ensure maximum efficiency, and identify and address issues that may cause production delays	Unlikely	Moderate	Low
Waste rock management	Inadequate space for waste rock storage	An alternative waste rock disposal plan should be developed before the storage space is full	Possible	Moderate	Medium
Water management	Pollution of surface and/or groundwater	Develop a comprehensive water monitoring program and prevention of wastewater leakage	Unlikely	Moderate	Low
TSF management	Failure to reclaim tailings in winter, resulting insufficient space for tailings storage in the next year	Develop a long-term plan on winter tailings excavation program	Unlikely	Moderate	Low
Capital and operating costs	Higher capital and operating costs, resulting in poor financial performance	Secure long-term contracts with contractors and confirm advanced procurement orders with suppliers	Possible	Moderate	Medium

Potential risk	Description	Prevention recommendations/ measures implemented	Likelihood	Consequence	Rating
Processing equipment efficiency	Lower throughput and performance due to the lower processing efficiency	Gradually replace aged equipment and streamline the flowsheet	Unlikely	Moderate	Low
Graphite recovery	Lower graphite recovery than the designed targets, inducing lower product outputs	Feed ore blending and flowsheet optimization	Unlikely	Moderate	Low
Product quality	Lower quality product produced, reducing the profit margin	Process monitoring and flowsheet optimization	Possible	Moderate	Medium
Sales & pricing	Forecast sales not achieved at expected prices, reducing cashflow	Modify production volume; actively seek new customers and establish long-term contracts	Possible	Moderate	Medium
Increased competition	Competition and possible reduction of price and sales volume leading to reduced cashflow	Market and prices be monitored to ensure the prices received are maximized	Possible	Moderate	Medium

For details, please see "Appendix III — Independent Technical Report — 12. Risk Assessment".

The Independent Technical Consultant is of the opinion that the above risks are generally manageable if our Company (i) conducts regular risk assessments; (ii) properly implements the relevant recommended procedures; and (iii) strictly adheres to the standards and regulatory requirements in the PRC. If we are unable to manage the above potential risks in a timely and appropriate manner, or should any of the above potential risks materialize, our business operations may be disrupted, which may in turn materially and adversely affect our business, financial condition and results of operations.

Failure to obtain, retain and renew governmental approvals, permits and licenses required for our operations could materially and adversely affect our business, financial condition and results of operations

Under the Mineral Resources Law of the PRC, all mineral resources in China are stated-owned and thus, all mining companies are required to obtain certain governmental approvals, permits and licenses prior to conducting any exploration, mining and relevant production activities. These permits and licenses generally stipulate a validity period and specify the type of activities that may be undertaken by the permit or license applicant. For further details on our mining license as well as other permits and approvals required for our mining and processing operations, please see "Business — Licenses, permits and approvals". Our current mining license on our Beishan Mine will expire in April 2024. Whether we can carry on our mining and processing activities depends on our ability to renew and obtain our mining license and other approvals and permits from the relevant PRC authorities upon the expiration of their respective validity periods. Our applications for renewal are subject to a certain degree of the PRC government's discretion and uncertain changes in national policies. Therefore, there is no assurance that we will be able to renew the licenses, permits and approvals required for our business operations in future, and any failure to do so could materially and adversely affect our business, financial condition and results of operations. Should we fail to renew the mining license for our Beishan Mine after April 2024, it is expected that there will be an overall decrease in our profitability, considering (i) the cost of unprocessed graphite per tonne would experience an overall increase as we are no longer able to extract such from our Beishan Mine; and we need to purchase more unprocessed graphite from suppliers at higher costs per tonne, thereby increasing overall procurement and transportation costs; (ii) there would be no more revenue generated from the sales of unprocessed marble, while our extraction cost would be nil due to non-operation of our Beishan Mine. The overall gross profit margin is expected to decrease, attributable to the increase on costs of raw materials and consumables and transportation as we are no longer able to extract unprocessed graphite from our Beishan Mine together with the loss of revenue from sales of unprocessed marble, which would be offset by the decrease of extraction costs incurred with respect to our Beishan Mine. Our Group's liquidity in terms of cash generated from our operating activities may also be adversely affected as a result of decrease in overall profitability attributable to the decrease of our gross profit margin. For details, please see "Financial Information — Principal Income Statement Components — Cost of Sales — Extraction Costs".

There may be disruptions to the supply of, or an increase in prices of, among others, electricity and materials and supplies

Our business operations, in particular our beneficiation and processing operations, require a constant and reliable supply of electricity. For the three years ended December 31, 2019, 2020 and 2021, the costs incurred for electricity amounted to approximately RMB21.6 million, RMB22.5 million and RMB23.0 million, respectively. Considering that there has been a disruption to electricity supply in the PRC in 2021, to reduce energy intensity in various provinces, including the Heilongjiang Province, the PRC, where our production plants are based, our production was suspended for a total of approximately 105 hours in the second half year of 2021. If power rationing measures are implemented in the Heilongjiang Province in the future, we cannot assure that we would not be subject to any power outages. Any shortage or disruption in the availability of electricity could lead to delay or even suspension of our mining and production operations, while any increase in costs of electricity will lead to an increase of our overall operating costs. In the hypothetical case that, based on (i) our production of beneficiation plant is at approximately 216 tonnes per day; and (ii) our production of processing plant is at 22 tonnes per day; and (iii) reference to our historical operating costs, our production are suspended due to electricity outage, our Directors expect we would incur daily loss of revenue from production of flake graphite concentrate and spherical graphite of approximately RMB0.6 million and RMB0.3 million respectively, and continue to incur daily operating costs of approximately RMB0.1 million, until our productions can be resumed with the availability of electricity. The occurrence of any of the foregoing could materially and adversely affect our business, financial condition and results of operations if we are unable to (i) secure a reliable supply of electricity; or (ii) pass on the increased costs to our customers.

Our beneficiation and processing operations also require the use of other consumables, materials and supplies such as acid base and, other compound additives and packaging. For the three years ended December 31, 2019, 2020 and 2021, the expenses incurred for raw materials and consumables represented 39.2%, 47.8% and 47.3% of our cost of sales, respectively. There is no assurance that the supply of consumables, materials and supplies will not be interrupted or will be delivered in a timely manner, or that prices will not increase in the future. According to the F&S Report, coal prices increased sharply since March 2020. As a large percentage of coal is used for power, many enterprises in the PRC had to reduce power generation to save costs. Many provinces in the PRC release relevant policies to adjust the market based transaction prices of electricity. The "Key Points of Energy Supervision Work in 2022 (2022年能源監管工作要點)" issued by the National Energy Administration (國家能源局) of the PRC proposed that it is necessary to continuously improve the level of energy marketization system construction, and further promote the improvement of the marketization mechanism of coal power prices and expand the range of market transaction electricity price floating. Accordingly, the range of market based electricity price in the PRC may be widen and there is no assurance that the price of electricity or the price of materials used to generate electricity would not rise in the future. In the event of a shortage in supply of consumables, materials and supplies, our business, financial condition and results of operations may also be materially and adversely affected.

We rely on third-party service providers for certain services

Whilst the most mining functions were conducted by our own team, we engage third-party service providers for blasting tasks such as explosives charging, safety and blasting works. For the three years ended December 31, 2019, 2020 and 2021, we incurred approximately RMB1.6 million, RMB2.3 million and RMB2.7 million, respectively in engaging such blasting services.

For the three years ended December 31, 2019, 2020 and 2021, we engaged transportation service providers to transport unprocessed graphite from our suppliers to our production site and finished graphite goods to our customers. For the years ended December 31, 2019, 2020 and 2021, we incurred a total of approximately RMB7.3 million, RMB9.1 million and RMB12.5 million in transportation costs. As at the Latest Practicable Date, our major customers and suppliers were located in the PRC, and our products and materials and supplies were generally transported by road. If the major road networks connecting our Beishan mine to, among others, our customers, our suppliers, and the production site are blocked off for an extended period of time due to traffic accidents or are significantly damaged or rendered inaccessible due to unforeseeable incidents, such as, natural disasters, the delivery of our products will be significantly affected, resulting in late delivery and/or even loss of existing customers. In addition, there is no guarantee that the transportation companies engaged will not: (i) increase the price of their services; or (ii) fail to perform their obligation or comply with relevant laws, rules and regulations. If the major road networks are blocked for an extended period of time or we are unable to pass on increase in transportation costs to our customers, our business, reputation, financial condition, results of operations and future prospects may be materially and adversely affected.

During the Track Record Period, we engaged external graphite product processing service providers to assist with (i) handling orders made during the off-season months of January to March; and (ii) purification of our unfinished products between November 2020 and May 2021 as the purification station of our spherical graphite processing plant was undergoing enhancement and repair. For the two years ended December 31, 2020 and 2021, we incurred subcontractor fees of approximately RMB0.2 million and RMB6.5 million.

We leased certain equipment and machineries from service providers to assist with the mining operation. For the three years ended December 31, 2019, 2020 and 2021, we incurred a total cost of approximately nil, RMB0.6 million and RMB1.9 million for leasing of equipment and machineries.

We will continue to engage such service providers when in need. Sub-standard performance of any of our service providers leading to their failure to meet, among others, our Group's quality, safety and environmental protection standards may result in us being liable to our end-customers, which could materially and adversely affect our business, financial condition and results of operations. Being able to engage suitable service providers to perform the relevant services is also crucial to our business operations. Any failure to retain suitable service providers at a reasonable cost or seek replacements on reasonable terms, or at all, in a timely manner and any failure of our service providers to perform their obligations or comply with relevant laws, rules and regulations may have a material and adverse impact on our business and results of operations.

Any labor shortage or unstable supply of labor may adversely affect our results of operations

Our Directors believe that, due to the competition in our industry and that our operations are located near the boundary between the PRC and Russia, we may experience difficulties in recruiting sufficient frontline workers to attend to work. This was particularly apparent after the Chinese New Year holidays as some of our workers may not return after the winter break. If we experience such labor shortage, we may be unable to operate our mine, our beneficiation plant and our processing plant at full capacity. Our Directors are of the view that it is important to retain suitable frontline workers and attract new frontline workers for our business operations. We cannot assure you that we will not face labor shortage in the future. If there is an insufficient number of workers in the future, it will have an adverse impact on our business operations.

Failure to retain our management team and other key personnel may materially and adversely affect our business and prospects

Our success is significantly dependent on the continued service of our management team and skilled employees, all of whom are critical to the development of our business and our strategic direction. For further details on our management team, please see ''Directors and Senior Management''. Any loss of one or more of our key executives and/or skilled member of the senior management team without immediate and adequate replacements may impede our future competitiveness and growth, and affect our daily business operations and implementation of our business strategies, we may also be required to expend additional financial resources on higher compensation and other employee benefits to attract, recruit and train new personnel, which could be difficult and time-consuming and lead to a significant increase in our operating costs. If we fail to attract or retain the personnel required to achieve our business objectives, our business, financial condition and results of operations could be materially and adversely affected.

Changing weather conditions may adversely affect our mining, beneficiation and processing operations

Our operations are located in an area where the climate is classified as a humid-continental climate, with average minimum and maximum temperatures of -21°C and 21°C respectively, and an average temperature of 2°C, whereby mines generally would have to close down for up to three months from January to March where there would be a severe drop in temperature, which is a major consideration when planning our work schedule at our mine, given that we adopt the open-pit mining method. The suspension of our mine would lead to the suspension of the supply of graphite to our beneficiation and processing plants, which would nevertheless close due to the cold weather as any water required in the production process would become frozen. There is no guarantee that we will be able to predict or foresee adverse weather conditions in a timely manner, or at all, such that we will be able to make preparations or arrangements in advance, such as extracting additional graphite ore and increasing production before winter, in view of impending adverse weather conditions. Any failure to do so may materially and adversely affect our business operations, financial conditions and profitability. For further details, please see ''Business — Seasonality''.

We may not have adequate financing to fund our future expansion plans, and such capital resources may not be available on commercially reasonable terms or at all

As a part of our expansion plans, we are expected to continue to incur a high level of capital expenditure for land acquisition and construction for the foreseeable future. For information on our capital expenditure as at December 31, 2019, 2020 and 2021, please see "Financial Information — Capital expenditure". For each year during the Track Record Period, we financed our operations and mine development projects primarily through a combination of internally generated funds and borrowings from financial institutions, such as commercial banks. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainty beyond our control, including (i) requirements to obtain PRC government approvals necessary for obtaining financing; (ii) our future results of operations, financial condition and cash flows; (iii) the condition of the financial markets and the availability of financing; (iv) changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and (v) changes in policies regarding regulation and control of the graphite market. Should the PRC government introduce similar additional initiatives, we may not be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms or at all. Also, the Company's capital expenditure for implementing future business strategies, including, land acquisition and construction, is expected to be approximately RMB202.1 million, of which approximately RMB[REDACTED] million would be paid by the [REDACTED] of the [REDACTED] and approximately RMB127.5 million would be financed by internal resources and by external financing if needed. For details, please see "Business — Our Business Strategies". As at December 31, 2021, the Group has a total of approximately 54.0 million in cash and cash equivalent and unutilized banking facility, and the estimated costs for our expansion plan at approximately RMB71.6 million in 2024 and RMB35.4 million in 2025 are larger than the historical cash outflow from investing activities during the Track Record Period at approximately RMB27.6 million in 2019, RMB20.7 million in 2020 and RMB29.1 million in 2021, it is expected for the Group to primarily rely on the net cash generated from operating activities to satisfy the financial resources to carry out and complete our expansion plan in 2022, 2023, 2024 and 2025. If the capital expenditure is ultimately significantly more than our internally generated funds and borrowings from financial institutions, our business, financial condition and results of operations may be adversely affected in the future.

Our future expansion plans may result in an increase in depreciation expenses

For the three years ended December 31, 2019, 2020 and 2021, our Group recorded depreciation on property, plant and equipment of approximately RMB5.8 million, RMB7.5 million and RMB10.9 million, respectively. As part of our expansion plan, we expect to incur a high level of capital expenditure continuously on land and machinery acquisition and construction in the foreseeable future. Considering if our depreciation expenses be charged to the consolidated statements of comprehensive income, such expenditure is anticipated to increase after the [REDACTED], which may ultimately result in a material adverse effect on our business, financial condition and results of operations in the future.

Our research and development activities may not yield the expected benefits for us

Our Group's continued success may partly depend on our ability to maintain our commitment to research and development efforts. For the three years ended December 31, 2019, 2020 and 2021, we expended approximately RMB4.8 million, RMB5.8 million and RMB8.1 million, respectively on research and development activities. There is no assurance that research and development activities undertaken by us will be successful or yield the anticipated benefits. Even if such activities are successful, we may not be able to apply the new technologies or launch the new products in a timely manner to take advantage of the market opportunities available. Market demand anticipated at the initial stages of the research and development cycle may not materialize by the end of the research, and the benefits that may be reaped from such newly developed technologies or products may be adversely affected and undermined by other competitors' rampant replication of similar technologies or products. Technologies or products developed may also be rendered obsolete by new technologies and new products developed by other competitors in the graphite industry. In the event that technologies or products developed by us are replicated, replaced or made redundant, our revenues may not be sufficient to offset the costs incurred for such research and development activities and collaborations, which could subsequently affect our Group's business and financial condition.

Our current insurance may not adequately cover all losses and liabilities arising from our operations

During the Track Record Period, we maintained various types of insurance. Nevertheless, there is no assurance that our existing insurance coverage will fully cover us from all potential risks and losses associated with our operations. In the event that we incur substantial losses or liabilities but are not insured against such losses or liabilities, or that our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations could be materially and adversely affected.

Any infringement on our intellectual property rights or by us on the intellectual property rights of others may adversely affect our reputation and profitability

As at the Latest Practicable Date, we were the registered owner of one trademark in the PRC, one trademark in Hong Kong, 89 patents in the PRC and one domain name. We have also applied for the registration of 13 patents in the PRC. There is no guarantee that the steps taken by our Group are sufficient to prevent or deter infringement or misappropriation of our intellectual property rights. Any significant infringement could weaken our competitive position and adversely affect our business.

In order to protect our intellectual property rights, we may have to expend large amounts of financial resources to commence legal proceedings against any third party infringement or misappropriation. Conversely, there is also the risk that we may infringe the intellectual property rights of others, thereby incurring costs in either defending or settling any intellectual property disputes alleging infringement or misappropriation. In the event that we are subject to any infringement claims, we may be required to spend a significant amount of financial resources to defend ourselves, to develop non-infringing alternatives or to obtain licenses. There is no assurance that we will prevail in litigation or similar proceedings commenced by us or that we will be able to succeed in developing non-infringing alternatives or obtain the relevant licenses on reasonable terms, or at all. The occurrence of any of the foregoing may potentially lead to a material and adverse impact on our business, reputation, financial condition and results of operations.

We may have difficulty in managing our business growth effectively

Our future expansion, whether through organic growth or acquisitions, requires us to maintain a stable workforce of qualified and skilled workers and to efficiently allocate our resources. In addition, our future expansion may place significant strains on our managerial, operational, technical and financial resources. In order to better allocate our resources to manage our growth, we must manage our workforce effectively and implement adequate internal controls in a timely manner. In the event that we fail to effectively manage our internal resources, such as our facilities and logistics, and to secure external sources of funding for future growth, we may encounter, among other things, delays in production and operational difficulties. The inability to manage our workforce, internal resources allocation and the associated enlarged scale of our operations effectively could have a material adverse effect on the output and quality of our products, our ability to attract and retain key personnel, our business and future prospects. Moreover, any failure to ramp up our expansion to meet our strategies, for instance, to increase our extraction, beneficiation and processing volume to reach the licensed limit, may affect our business and future prospects.

We plan to derive revenue from a limited number of products and any changes in the demand and fluctuations in the market prices of such graphite could materially affect our growth and profitability

Our principal graphite products are flake graphite concentrate and spherical graphite produced by our beneficiation and processing plants. Our business and profitability are dependent on the sales of our graphite products which can be further processed by our customers for their downstream products, such as heat resisting materials and lithium-ion batteries. A decrease in demand in such downstream products may result in consequential decrease in demand for our graphite products by our customers, thereby adversely affecting our business, financial condition and results of operations.

As technology advances, the application and required specification of graphite products may change over time. Such change may have an adverse impact on the demand for our graphite products, for instances, our graphite products may not be advanced enough to continue being applied or utilized in our customer's downstream products. If we fail to anticipate, identify or react to the changes in product requirements and market preferences relating to the latest specification, our business, financial condition and results of operation would be adversely affected.

We are exposed to risks of obsolete or slow-moving inventory which may adversely affect our financial position

As at December 31, 2019, 2020 and 2021, our inventory balance amounted to approximately RMB35.4 million, RMB26.0 million and RMB18.9 million, respectively, representing approximately 14.5%, 8.4% and 5.6% of our total assets as at the respective year end dates. During the Track Record Period, the average inventory turnover days were approximately 184.8 days, 131.4 days and 77.7 days, respectively. For details of the movement of inventory of our unprocessed graphite, flake graphite concentrate and spherical graphite during the Track Record Period, please see "Business — Inventory Management". Our sales are made on purchase orders placed by our customers and we did not enter into any long-term agreement with our customers during the Track Record Period. After completion of our sales, our customers are not obliged to purchase our products on a continuous basis. As a result, the sales of our products are highly dependent on our customers' demand from time to time, in which there is no assurance that we will be able to retain these customers or that they will maintain their current level of purchases with us. If we fail to secure sufficient sales from our customers in the future, the volume of obsolete or slow-moving inventory would increase and we may need to either sell off such inventory at a discounted price or write off such inventory, thereby adversely affecting our financial condition.

Government grants and preferential tax treatment currently available to us may not be recurring

Our other income and other gains, net, are primarily comprised of government grants which are non-recurring in nature. For the year ended December 31, 2019, 2020 and 2021, our other income generated from government grants amounted to approximately RMB0.5 million, RMB0.6 million and RMB7.9 million, respectively. For details, please see "Financial Information — Other income and other gains, net". For the three years ended December 31, 2019, 2020 and 2021, the effective tax rate of our Group decreased from 22.6% in 2019 to 21.9% in 2020, and further down to 12.4% in 2021. The decrease of effective tax rate was due to the fact that the major operating subsidiaries of the Group, namely Yixiang New Energy and Yixiang Graphite, became eligible for the tax concession granted by the PRC government as a high-tech enterprise since 2020 and 2021, respectively, such that their corporate income tax rate changed from 25% to 15%. For details, please see "Financial information —

Income tax expense". There is no assurance that we will continue to entitle to such government grants or preferential tax treatment. In the event that any of the government grants or preferential tax treatment we currently enjoy are discontinued, our financial condition would be adversely affected.

The value of our mining rights is subject to possible impairment which may adversely impact our financial position in the future

As at December 31, 2019, 2020 and 2021, the net carrying amounts of our mining rights were approximately RMB20.6 million, RMB27.0 million and RMB25.9 million, respectively. For details, please see "Financial Information — Intangible assets — Mining rights". Mining rights and mining structures are amortized and depreciated over the estimated total proven and probable reserves of the mines using units of production method. We assess on an annual basis the estimated reserve of our Beishan Mine. However, the remaining license period of the mining rights held by us is shorter than the estimated useful lives of our Beishan Mine estimated by us. Our Directors expect that the Group is able to renew the license of the mining rights from the relevant authority continuously and at minimal charges. If the expectation differs from the original estimate, such differences will impact the amortization charged in the period in which such estimate is changed. Also, engineering estimates of our Beishan Mine reserves involve subjective judgments by engineers in developing such information and reserves are estimated in accordance with national standards set by relevant authorities. Estimates of proven and probable reserves involve subjective judgments and assumptions are required for a range of geological, technical and economic factors, so the proven and probable reserves are only approximate values. Any material decrease in the amount of resources in our Beishan Mine may result in impairment on the carrying value of our mining rights and related assets, which may have a material adverse effect on our business, financial condition and results of operations.

Our ability to fulfill our obligations with respect to contract liabilities may impact our cash and liquidity position.

Our contract liabilities primarily include advanced payment of graphite products. As at December 31, 2019, 2020 and 2021, we had contract liabilities of approximately RMB0.4 million, RMB9.8 million and RMB5.3 million, respectively. We may fail to fulfill our obligations under our contracts with customers for various reasons within or beyond our control. For example, customers may not be satisfied with our graphite products and decide not to place any further purchase orders with us going forward, which may thus require us to refund the cash we have received upfront and it could have a material adverse impact on our cash and liquidity position and financial condition.

Figures in relation to our Reserve, Resource and graphite quality are only estimates based on certain assumptions and may be inaccurate

Our Reserve and Resource estimates are based on a number of assumptions that have been made by our Independent Technical Consultant in accordance with the JORC Code. Reserve and Resource estimates stated in this document involve an element of judgment based on industry knowledge, experience and industry practice, while the accuracy of such estimates may be affected by factors such as quality of geological exploration results, drilling and analysis of graphite samples, and the procedures adopted by and the experience of the person making the estimates.

Although our estimates on Reserve and Resource described in this document are in accordance with standard evaluation methods generally used in the international mining industry and the JORC Code, these estimates may need to be revised from time to time to take into account new information and new interpretations on which the estimates are based. Should our actual Resource and Reserve levels and quality differ substantially from that predicted by past drilling, sampling and similar examination, our Reserve and Resources estimates may require a downward adjustment which could materially and adversely affect our business, financial condition, results of operations and future prospects.

In addition, the mineralogical and chemical composition, water absorption and other properties of the graphite ultimately mined may differ from those indicated by drilling results. Should the graphite ore mined be of a lower quality than expected, the demand for, and the realizable price of our graphite products may decrease, which could materially and adversely affect our business, financial condition, results of operations and future prospects.

Furthermore, graphite ore and marble ore may not ultimately be extracted at a profit in the future. There is no guarantee that our Resource and Reserve disclosed in this document can be economically exploited in the future and nothing contained herein should be interpreted as an assurance of the economic value of our Reserve and Resource or the profitability of our future business operations.

Any unforeseeable changes in regulations of the mining industry or any inaccuracy of the information that our Independent Technical Consultant relied on when preparing the Independent Technical Report may materially and adversely affect the findings and conclusions in the Independent Technical Report

There might be unforeseeable changes in regulations of the mining industry or graphite industry that are not disclosed in the Independent Technical Report, but may potentially have a material and adverse impact on our future business operations. In preparing the Independent Technical Report, reference was made to reports compiled by other third parties. In addition, the Independent Technical Report only reflects the mining and marketing conditions and SRK's interpretation of regulations of the mining industry in China as at the date of the Independent Technical Report, and SRK is not responsible for updating the Independent Technical Report after the effective date of the Independent Technical Report.

RISKS RELATING TO OUR INDUSTRY

Competition in the PRC graphite industry is intense and there is no assurance that we can compete effectively

The PRC graphite industry is highly competitive and we compete based on a plethora of factors, including but not limited to, graphite quality and characteristics, stability of supply, cost of transportation, reliability and timeliness of delivery, customer service and price. We face competition primarily from other manufacturers of graphite products in Eastern China. If we are unable to differentiate ourselves from other manufacturers of graphite products and are unable to compete effectively in attracting and retaining customers, our business, financial condition, results of operations and future prospects would be materially and adversely affected.

Changes to PRC laws, regulations and government policies in relation to environmental protection could adversely impact our business, financial condition and results of operations

Our mining and production operations are subject to various PRC environmental protection laws and regulations relating to a broad range of environmental protection matters, such as land rehabilitation, water and soil preservation, noise control and discharge of wastewater and pollutants. These environmental protection laws and regulations are complex and constantly evolving and have become more stringent in recent years and quantification of the cost incurred in order to comply with such laws and regulations may not always be possible. Any breach of the PRC environmental protection regulations could subject us to a substantial fine, damage our reputation, cause delays in production or result in some or all of our production facilities being temporarily suspended or permanently shut down. There is no assurance that the national or local authorities will not enact additional laws or regulations or amend or enforce new regulations in a more rigorous manner or establish local practice to enforce the laws or regulations in any manner which is unfavorable to our business. We may also need to substantially alter our production processes to cater for the changes to environmental protection regulations, which could result in increased operating costs and thus adversely affecting our financial condition and results of operations.

Changes to PRC laws, regulations and governmental policies for the mining industry could have an adverse impact on our business, financial condition and results of operations

The PRC local, provincial and central authorities exercise a substantial degree of control over the mining industry in the PRC. A wide range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, production and workplace safety, environmental protection, taxation, labor and foreign investment govern our business operations. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or implementation or establishment of any local practice in enforcing such laws, regulations, policies, standards and requirements may require us to incur additional expenses, and hence an increase in our operating costs, to ensure on-going compliance. Such additional expenditure to ensure compliance with new laws, regulations, policies, standards and requirements may have an adverse impact on our business, financial condition and results of operations.

Mining companies that fail to comply with the applicable laws and regulation may be subject to fines, penalties or even suspension of operations or revocation of licenses. Relevant government authorities also conduct inspections of the mines and facilities of mining enterprises. Failure to pass such inspections may have an adverse impact on our reputation and reflect negatively on the credibility of our management, and ultimately adversely affecting our business, financial condition and results of operations.

There is no assurance that we will be able to fully comply with any new or revised PRC laws, regulations, policies, standards and requirements applicable to the graphite mining industry, or at all. Additionally, any such new or revised PRC laws, regulations, policies, standards and requirements or any such changes in existing laws, regulations, policies, standards and requirements may also place further constraints on our development plan and adversely affect our future profitability and future prospects.

The COVID-19 outbreak may materially and adversely affect our business, financial condition and results of operations

The ongoing outbreak of COVID-19 has continued to spread across the world and has created unique global and industry-wide challenges. COVID-19 has resulted in quarantines, travel restrictions, and the temporary closure of offices and facilities in China.

Our business and operations have also been affected as a result. In an effort to contain the spread of COVID-19, the government has taken precautionary measures that reduced economic activities, including temporary closure of corporate offices, retail outlets and manufacturing facilities and strict implementation of quarantine measures. These measures adversely impacted our general operation, there had been lockdowns at workplaces and places of commerce in Heilongjiang Province, including our Beishan Mine. However, the closure of our Beishan Mine and plants due to restrictions under the COVID-19 outbreak coincided with our seasonal shutdown period (i.e. the months of January to March, due to severe cold weather). As many of the precautionary measures had later been uplifted or relaxed, we and our business partners gradually resumed normal operations since the second quarter of 2020.

There had been a drop in the overall market price for spherical graphite and flake graphite concentrate during the months of the COVID-19 outbreak. Leveraging on our cost-effective methods of beneficiation and processing, and the synergies of our vertical integration, we managed to offer our products at lower costs customers struggling during the COVID-19 outbreak for the purposes of maintaining a positive business relationship. As a result, our sales volume increased significantly in the year ended December 31, 2020 and our growth of revenue for the year ended December 31, 2021 remained positive at approximately RMB198.4 million. Accordingly, the disruption caused by the COVID-19 outbreak on our business operations was not considered to be severe by our Directors.

We cannot guarantee that we will continue to be relatively unaffected by COVID-19 as the epidemic subsists. Any further development of the pandemic could negatively affect the overall market price for spherical graphite and flake graphite concentrate and our supply chain such as manufacturing, warehousing and transporting of our products. In addition, we may need to make adjustments to operation hours, make work-from-home arrangements and even temporarily close our Beishan Mine in the event that COVID-19 strikes in a future wave, and we may experience substantially lower work efficiency and productivity during such period.

The potential downturn brought by and the duration of the COVID-19 outbreak may be difficult to assess or predict, and any associated negative impact on us will depend on many factors beyond our control. The extent to which the COVID-19 outbreak impacts our long-term results remains uncertain, and we are closely monitoring its impact on us. Our business, financial condition, results of operations and future prospects could be adversely affected directly, as well as indirectly, to the extent that the ongoing COVID-19 outbreak harms the PRC and global economy in general.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the economic, political and social conditions of the PRC could adversely affect our business

For the three years ended December 31, 2019, 2020 and 2021, we derived all of our revenue from sales to customers in the PRC. Our business performance may thus be affected by the general economic conditions in the PRC, which may be affected by various general economic conditions beyond our control, including but not limited to, GDP growth rate, consumer confidence, levels of inflation, unemployment levels and mortgage and interest rates. A downturn or anticipated slowdown in economic activities in the PRC could therefore lead to a corresponding slowdown in our downstream industries, which include, the drilling industry and the iron and steel industry. A slowdown in our downstream industries may in turn, result in decreased demand for our products and ultimately a material adverse effect on our business, financial position and results of operations.

Our ability to conduct and expand our business operations in the PRC depends on a number of factors that are beyond our control, including macro-economic and other market conditions. Any change in the political, economic and social policies and conditions of the PRC may bring uncertainty to our business operations and may materially and adversely affect our business, financial condition and results of operations.

There is no assurance that the economic, political or legal systems of China will not develop in a way that is detrimental to our business, financial condition, results of operations and future prospects. Our business, financial condition and results of operations may be adversely affected by political instability or changes in social conditions in China, changes in laws, regulations or policies or the interpretation of laws, regulations or policies, measures which may be introduced to control inflation or deflation, changes in the rate or method of taxation, and imposition of additional restrictions on currency conversion and remittance abroad.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the [REDACTED] from the [REDACTED] to make additional capital contributions or loans to our PRC subsidiaries

As an offshore holding company of our PRC subsidiaries, we may make additional capital contribution or loan to our PRC subsidiaries. Any capital contribution or loan to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registrations. For example, any of our loan to our PRC subsidiary cannot exceed twice the net assets of our PRC subsidiaries or the difference between the total amount of investment of which our PRC subsidiary is approved to make under relevant PRC laws and regulations and the registered capital of our PRC subsidiary, and such loan must be registered with the local branch of the SAFE.

There is no assurance that we will be able to complete or obtain the necessary government registrations or approvals in a timely manner, or at all, with respect to making future loan or capital contribution to our PRC subsidiaries with the [REDACTED] from the [REDACTED]. If we fail to complete such registrations, our ability to make equity contribution or provide loan to our PRC subsidiaries or to fund their operations may be materially and adversely affected, which may materially and adversely affect their ability to fund their working capital and expansion projects as well as meet their obligations and commitments.

Companies having business in China may be classified as a "resident enterprise" for EIT purposes, and such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders

The EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered PRC "tax resident enterprises" and will generally be subject to the uniform 25% EIT rate on their global income. Under the implementation rules to the EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise. However, the circumstances under which an enterprise's "de facto management body" would be considered to be located in China are currently unclear. Circular 82, a tax circular issued by the State Administration of Taxation on April 22, 2009 provides that certain foreign enterprises controlled by a PRC company or a PRC company group will be classified as "resident enterprises" if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and half or more of the senior management or directors having voting rights.

If we are considered as a PRC tax resident enterprise for PRC tax purposes, we will be subject to a uniform 25% EIT rate as to our global income as well as tax reporting obligations. In addition, we cannot assure you that such dividends, which would normally qualify as "tax-exempted income" under applicable rules, will not be subject to a 10% withholding tax, as no guidance has been issued by the

PRC taxation authorities with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC tax purposes. Further, dividends payable by us to our investors that are non-resident enterprises and gain on the sale of our Shares may become subject to PRC withholding tax, if such dividends and gains are regarded by PRC tax authorities to be sourced from China.

Furthermore, Yixiang New Energy was subject to a tax rate of 15% for the year ended December 31, 2020 and 2021, and Yixiang Graphite was subject to a tax rate of 15% for the year ended December 31, 2021, as they were eligible for the tax concession granted by the PRC government as a high-tech enterprise. The validity period of high technology enterprises shall be three years from the date of issuance of the certificate of high technology enterprise. The enterprise shall apply for re-examination three months before the expiration of the qualification; where an enterprise fails to apply for re-examination or where an enterprise fails in the re-examination, its qualification as high and new technology enterprise shall be null and void automatically at the expiration of its valid period. We cannot assure that such certificates may be successfully renewed, and thus may affect the concession granted in the future.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.

In February 2015, the State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (國稅務總局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) (the "**Circular 7**"), which provides comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the "**PRC Taxable Assets**").

Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose. Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a [REDACTED] market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise has directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

We are a holding company and rely principally on dividend payments from our subsidiaries in the PRC for funding

We are incorporated in the Cayman Islands and rely principally on dividends paid by our PRC subsidiary for cash requirements, including the funds necessary to service any debt we may incur. If our subsidiary incurs debt in its own name in the future, the instruments or agreements governing the debt may restrict dividends or other distributions from our PRC subsidiaries to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of their accumulated retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after tax profits based on PRC accounting standards each year to their statutory reserves in accordance with the requirements of relevant PRC laws and provisions in their respective articles of associations. As a result, our PRC subsidiary is restricted in its ability to transfer a portion of its net income to us whether in the form of dividends, loans or advances. These restrictions and requirements could reduce the amount of distributions that we receive from our subsidiaries, which would restrict our ability to fund our operations, generate income, pay dividends and service our indebtedness.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

There has been no prior [REDACTED] for our Shares, and the liquidity and [REDACTED] of our Shares after the [REDACTED] may be volatile so that an [REDACTED] may not develop

Before the [REDACTED], there was no [REDACTED] for our Shares. The initial [REDACTED] [REDACTED] for our Shares was the result of negotiations between the Sole Sponsor and us, and the [REDACTED] may differ significantly from the [REDACTED] for our Shares following the [REDACTED]. While we have applied for [REDACTED] of and permission to [REDACTED] our [REDACTED] on the Stock Exchange, there is no guarantee that the [REDACTED] will result in the development of an active, liquid [REDACTED] for our Shares. The [REDACTED] of our [REDACTED] may be volatile. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the [REDACTED] and the [REDACTED] of our [REDACTED].

[REDACTED] of our [REDACTED] under the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The [REDACTED] of our Shares is higher than our net tangible assets value per Share immediately prior to the [REDACTED]. Therefore, [REDACTED] of our Shares under the [REDACTED] will experience an immediate dilution in [REDACTED] net tangible assets value per Share. In order to expand our business, we may consider [REDACTED] and [REDACTED] additional [REDACTED] in the future or to [REDACTED] in the future to finance our business expansion, for existing operations or new acquisitions. If additional funds are [REDACTED] through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per share, (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders and/or (iii) [REDACTED] of our Shares may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a [REDACTED] which is lower than our net tangible assets value per Share.

Substantial future sale or the expectation of substantial [REDACTED] of our Shares in the [REDACTED] could adversely affect the [REDACTED] of our Shares

The future [REDACTED] of a significant number of our Shares in the [REDACTED] after the [REDACTED], or the perception that these sales could occur, could adversely affect the [REDACTED] of our Shares and could materially impair our future ability to raise capital through [REDACTED] of our Shares. Please see "[REDACTED]" for further details. After these restrictions lapse, any sale of a substantial amount of our Shares or other securities relating to our Shares in the [REDACTED], the issuance of new Shares or other securities relating to our Shares (or the perception that such sales or issuances) may cause the prevailing [REDACTED] of our [REDACTED] to decline which could adversely affect our future ability to raise capital.

We may not be able to distribute dividends to our Shareholders

We cannot assure you when and in what form dividends will be paid on our Shares following the [REDACTED]. The declaration and distribution of dividends is at the discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including without limitations, our business and financial performance, capital and regulatory requirements and general business and operating conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we are not able to guarantee that we will make any dividend payments on our Shares in the future. Please see "Financial Information — Dividends" for further details.

The [REDACTED] of our Shares when [REDACTED] begins could be lower than the [REDACTED]

The [REDACTED] will 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 few Business Day after the [REDACTED]. [REDACTED] may not be able to [REDACTED] or otherwise [REDACTED] the Shares during that period. Accordingly, holders of the Shares are subject to the risk that the [REDACTED] of our Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of [REDACTED] and the time [REDACTED] begins.

The [REDACTED] and [REDACTED] of [REDACTED] may be volatile, which could result in substantial losses for [REDACTED] in the [REDACTED]

Factors such as fluctuations in our revenue, earning, cash flow, new investment, regulatory development, addition or departure of key personnel, or action taken by competitors could cause the [REDACTED] of our Shares or [REDACTED] of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are [REDACTED]. Such volatility, as well as general economic conditions, may materially and adversely affect the [REDACTED] of shares, and as a result [REDACTED] may incur substantial losses.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] and [REDACTED] of our Shares may decline

The [REDACTED] for our Shares will be influenced by the research and report that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the [REDACTED] of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our [REDACTED] or [REDACTED] to decline.

[REDACTED] may experience difficulties in enforcing Shareholder rights

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where [REDACTED] may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, the Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may differ in some respects as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors reside. As a result, Shareholders may have more difficulties in exercising their rights against the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by, among other things, our Memorandum of Association and Articles of Association, the Cayman Companies Act, and the common law of the Cayman Islands. The rights of our Shareholders to take action against our Directors, the rights of minority shareholders to instigate actions 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 rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent in Hong Kong or other jurisdictions. In particular, the Cayman Islands may have different securities laws as compared to Hong Kong and may not provide the same protection to investors. A summary of Cayman Islands company law is set out in Appendix V to this document.

RISKS RELATING TO THE STATEMENTS MADE IN THIS DOCUMENT

You should read the entire document 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 authorized the disclosure of any such information in the press or media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent that such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective [REDACTED] are cautioned to make their [REDACTED] 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 [REDACTED] 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 [REDACTED], the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, [REDACTED] should not rely on any such information, reports or publications in making their decisions as to whether to [REDACTED]. By [REDACTED] 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].

Certain information contained in this document is extracted from various official government publications and other publicly available publications and no representation is given as to its accuracy

This document includes certain information and statistics extracted in whole or in part from various official government publications, other publicly available publications, the F&S Report or the Independent Technical Report. In particular, the information from official government sources has not been independently verified by our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors and advisers or any other persons or parties involved in the [REDACTED]. Therefore, we make no representation as to the accuracy of such information.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, 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 similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. [REDACTED] should not place undue reliance on such forward-looking statements and information.