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## SUMMARY

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

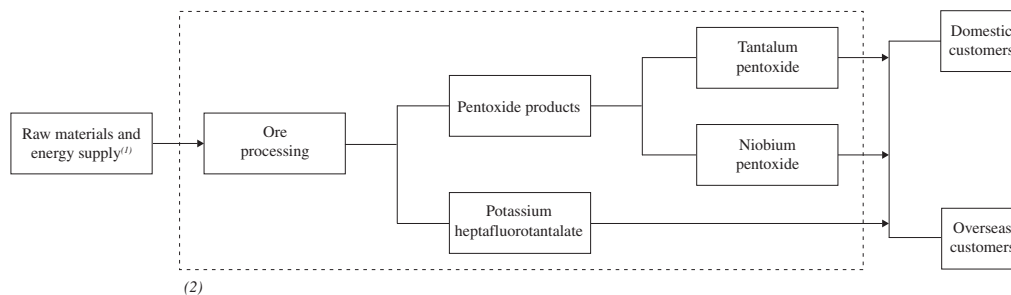
*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a producer of tantalum- and niobium-based metallurgical products in China. Tantalum- and niobium-based metallurgical products are essential in the downstream manufacture of many products used in high-tech industries, such as special alloy, chemical, electronic ceramics, aeronautics, aerospace, high-end electronics, defence and hard alloy. Our principal products are tantalum pentoxide and niobium pentoxide. We also produce and sell potassium heptafluorotantalate. We process our products into varying purity levels and specifications in order to meet the requirements for different end products. In addition, we sell processed products such as tantalum bars, tantalum carbide, niobium bars and niobium powder, which are produced by engaging third-party metallurgy companies to process the pentoxide products and potassium heptafluorotantalate we produce, or purchased from third-party metallurgy companies. Moreover, we provide processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate. According to the CIC Report, we were one of the 15 major market players in the tantalum and niobium metallurgy industry in China in 2018, and we were the largest producer of tantalum- and niobium-based hydrometallurgical products in China for FY2016, FY2017 and FY2018 in terms of total annual production volume for external sales. Our total production volume of pentoxide products and potassium heptafluorotantalate was approximately 878.9 tonnes, 1,031.0 tonnes and 1,321.0 tonnes for FY2016, FY2017 and FY2018, respectively, accounting for approximately 30.0%, 31.5% and 35.8% of the market share in China for FY2016, FY2017 and FY2018, respectively.

### OUR BUSINESS MODEL

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



Notes:

- (1) Includes electricity and water, both of which are procured from Independent Third Parties.
- (2) “- - -” denotes our principal business scope.

# SUMMARY

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

	FY2016			FY2017			FY2018			8M2018			8M2019		
	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue
	tonne	RMB'000	RMB'000	tonne	RMB'000	RMB'000	tonne	RMB'000	RMB'000	tonne	RMB'000	RMB'000	tonne	RMB'000	RMB'000
Sole of products:															
Pentoxide products:															
Tantalum pentoxide:															
Industrial grade tantalum pentoxide	91,415	929.4	98,573	87.0	1,132.4	116,537	81.6	1,428.2	84,884	58.2	1,457.7	146,110	121.8	1,199.1	
High-purity tantalum pentoxide	2,288	1,150.4	6,876	5.6	1,224.8	10,098	6.5	1,549.7	8,097	5.3	1,524.6	4,467	3.3	1,365.5	
Niobium pentoxide:															
Industrial grade niobium pentoxide	63,136	142.7	102,624	572.7	179.2	168,193	751.7	223.8	104,292	448.2	232.7	123,617	604.2	204.6	
High-purity niobium pentoxide	10,559	49.6	27,374	123.7	221.2	45,987	169.1	272.0	31,573	115.7	272.8	46,603	177.5	262.5	
Potassium heptafluorotantalate	21,142	43.3	488.3	44,756	62.0	721.9	134,347	159.0	845.2	103,734	123.6	855.8	31,630	44.2	716.3
Processed products:															
Tantalum bars	6,821	4.2	1,605.3	12,786	7.0	1,826.6	20,392	9.2	2,216.5	2,249	1.0	2,248.9	23,202	12.5	1,856.2
Tantalum carbide	1,360	1.0	1,360.3	—	—	—	—	—	—	—	—	—	—	—	—
Niobium bars	97	0.3	324.8	2	0.0	367.5	4,647	11.5	404.1	—	—	6.616	16.2	408.2	
Niobium powder	19	0.0	512.8	57	0.1	535.9	17	0.0	598.3	17	0.0	598.3	—	—	
Recycled products <sup>(1)</sup>	2,207	26.7	82.8	—	—	3,698	1,330.4	2.8	1,915	693.7	2.8	10,148	919.2	11.0	
Others <sup>(2)</sup>	171	1.7	100.9	—	—	182	0.8	219.8	—	—	—	4,424	24.2	182.7	
Processing services <sup>(3)</sup>	18,226	251.1	72.6	14,312	134.2	106.6	10,620	93.0	114.3	9,054	74.8	3,969	25.2	157.5	
<b>Total</b>	<b>217,441</b>	<b>920.6</b>	<b>307,360</b>	<b>992.3</b>	<b>514,718</b>	<b>2,612.8</b>	<b>347,815</b>	<b>1,520.5</b>	<b>400,786</b>	<b>1,948.3</b>					

Notes:

- (1) Our recycled products mainly included three types of products that are produced by recycling our waste materials, namely tin hydroxide, potassium fluorosilicate and tungsten acid.
- (2) For FY2016, we sold cobalt carbonate (CoCO<sub>3</sub>), which is a type of by-product generated in our production process. For FY2018 and 8M2019, we sold ferro niobium tantalum alloy, which is a kind of impurity included in our raw materials.
- (3) We provided processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate.

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Our total revenue for FY2016, FY2017, FY2018, 8M2018 and 8M2019 amounted to approximately RMB217.4 million, RMB307.4 million, RMB514.7 million, RMB347.8 million and RMB400.8 million, respectively. The increase in revenue from FY2016 to FY2018 was mainly contributed by the increase in revenue from sale of tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, which was mainly driven by the overall increase in sales volume and average selling price. The increase in revenue from 8M2018 to 8M2019 was mainly contributed by the increase in revenue from sale of tantalum pentoxide, niobium pentoxide and tantalum bars, offset by the decrease in revenue from the sale of potassium heptafluorotantalate.

For FY2016, FY2017, FY2018, 8M2018 and 8M2019, our total sales volume of pentoxide products and potassium heptafluorotantalate amounted to approximately 635.6 tonnes, 851.0 tonnes, 1,167.9 tonnes, 751.0 tonnes and 951.0 tonnes, respectively. During the same years/periods, our total production volume of pentoxide products and potassium heptafluorotantalate for sale of products amounted to approximately 653.7 tonnes, 904.2 tonnes, 1,221.5 tonnes, 787.0 tonnes and 910.2 tonnes, respectively.

From FY2016 to FY2018, the increase in our total sales volume of pentoxide products and potassium heptafluorotantalate was generally in line with the increase in our total production volume of the pentoxide products and potassium heptafluorotantalate for sale of products. In particular, the significant increase in our total sales volume of pentoxide products from approximately 789.0 tonnes for FY2017 to approximately 1,008.9 tonnes for FY2018 was facilitated by the increase in our production capacity due to the expansion of our production facilities. For details, please refer to the paragraph headed “Business — Production facilities” in this prospectus. In addition, our sales volume of potassium heptafluorotantalate increased from approximately 62.0 tonnes for FY2017 to approximately 159.0 tonnes for FY2018, mainly attributable to the increase in sales orders from Customer F and Customer J, being our largest customer and one of our five largest customers for FY2018, respectively. From 8M2018 to 8M2019, the respective increase and decrease in our sales volume of pentoxide products and potassium heptafluorotantalate were generally in line with the respective increase and decrease in our total production volume of pentoxide products and potassium heptafluorotantalate for sale of products. Our sales volume of pentoxide products increased from approximately 627.4 tonnes for 8M2018 to approximately 906.8 tonnes for 8M2019, mainly driven by the increase in sales volume of (i) industrial grade tantalum pentoxide mainly due to the increase in sales orders from Yanling Jincheng Tantalum & Niobium Co., Ltd.\* (炎陵縣今成鉬鈮有限公司) and Customer K, being our largest and second largest customer for 8M2019, respectively; and (ii) industrial grade niobium pentoxide mainly due to the increase in sales orders from Yanling Jincheng Tantalum & Niobium Co., Ltd.\* (炎陵縣今成鉬鈮有限公司) and Customer L, being one of our largest customers for 8M2019. Our sales volume of potassium heptafluorotantalate decreased significantly from approximately 123.6 tonnes for 8M2018 to approximately 44.2 tonnes for 8M2019, mainly attributable to the significant decrease in sales orders from Customer F, being one of our five largest customers for 8M2019.

The average selling price of tantalum pentoxide and niobium pentoxide generally increased throughout the period from FY2016 to FY2018 and decreased for 8M2019. Such trend was generally consistent with the overall market trend of the average selling price of tantalum pentoxide and niobium pentoxide according to the CIC Report. According to the CIC Report, (i) the increasing trend throughout the period from FY2016 to FY2018 was mainly driven by the growing demand from various downstream industries in line with the recovering global economy; and (ii) the decreasing trend for 8M2019 was mainly due to an expected stable supply of tantalum ores and niobium ores in the upstream industries and was in line with the price decline in tantalum ores and niobium ores. The average selling price of potassium heptafluorotantalate generally increased throughout the period from FY2016 to FY2018 and decreased for 8M2019. Such trend was generally consistent with the overall market trend of the average selling price of potassium heptafluorotantalate according to the CIC Report. According to the CIC Report, (i) the increasing trend throughout the period from FY2016 to FY2018 was in line with the price increase in tantalum ores and niobium ores; and (ii) the decreasing trend for 8M2019 was mainly due to the expected stable and sufficient supply of tantalum ores and niobium ores for the global and PRC market.

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

	FY2016		FY2017		FY2018		8M2018		8M2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<b>Sale of products</b>	<b>42,635</b>	<b>21.4</b>	<b>79,408</b>	<b>27.1</b>	<b>160,171</b>	<b>31.7</b>	<b>114,405</b>	<b>33.8</b>	<b>108,471</b>	<b>27.3</b>
Pentoxide products:	34,706	20.7	57,820	24.6	107,967	31.6	76,209	33.3	91,759	28.6
Tantalum pentoxide:	25,130	26.8	37,617	35.7	36,199	28.6	28,275	30.4	30,775	20.4
Industrial grade tantalum pentoxide	24,339	26.6	34,824	35.3	33,108	28.4	25,793	30.4	30,448	20.8
High-purity tantalum pentoxide	791	34.6	2,793	40.6	3,091	30.6	2,482	30.7	327	7.3
Niobium pentoxide:	9,576	13.0	20,203	15.5	71,768	33.5	47,934	35.3	60,984	35.8
Industrial grade niobium pentoxide	5,542	8.8	13,383	13.0	60,020	35.7	39,658	38.0	45,717	37.0
High-purity niobium pentoxide	4,034	38.2	6,820	24.9	11,748	25.5	8,276	26.2	15,267	32.8
Potassium heptafluorotantalate	4,228	20.0	17,522	39.2	45,668	34.0	37,586	35.5	3,884	12.3
Processed products:	2,524	30.4	4,066	31.7	6,453	25.8	489	21.6	5,020	16.8
Tantalum bars	1,989	29.2	4,061	31.8	5,607	27.5	486	21.6	3,112	13.4
Tantalum carbide	515	37.9	—	—	—	—	—	—	—	—
Niobium bars	20	21.2	0	14.0	843	18.1	—	—	1,908	28.8
Niobium powder	0	2.4	5	9.2	3	17.5	3	17.3	—	—
Recycled products <sup>(1)</sup>	1,176	53.3	—	—	17	0.5	121	6.3	6,515	64.2
Others <sup>(2)</sup>	1	0.3	—	—	66	36.2	—	—	1,293	29.2
Processing services <sup>(3)</sup>	<u>9,122</u>	<u>50.1</u>	<u>7,936</u>	<u>55.5</u>	<u>5,062</u>	<u>47.7</u>	<u>4,598</u>	<u>50.8</u>	<u>1,585</u>	<u>39.9</u>
<b>Total gross profit/overall gross profit</b>	<b><u>51,757</u></b>	<b><u>23.8</u></b>	<b><u>87,344</u></b>	<b><u>28.4</u></b>	<b><u>165,233</u></b>	<b><u>32.1</u></b>	<b><u>119,003</u></b>	<b><u>34.2</u></b>	<b><u>110,056</u></b>	<b><u>27.5</u></b>

Notes:

- (1) Our recycled products mainly included three types of products produced by recycling our waste materials, namely tin hydroxide, potassium fluorosilicate and tungsten acid.
- (2) For FY2016, we sold cobalt carbonate (CoCO<sub>3</sub>), which is a type of by-product generated in our production process. For FY2018 and 8M2019, we sold ferro niobium tantalum alloy, which is a kind of impurity included in our raw materials.
- (3) We provided processing services for processing tantalum ores and niobium ores supplied by our customers into pentoxide products and potassium heptafluorotantalate.

Our gross profit increased from approximately RMB51.8 million for FY2016 to approximately RMB87.3 million for FY2017, and further increased to approximately RMB165.2 million for FY2018. For 8M2019, our gross profit amounted to approximately RMB110.1 million, representing a decrease of approximately RMB8.9 million from 8M2018. Our gross profit margin increased from approximately 23.8% for FY2016 to approximately 28.4% for FY2017, and further increased to approximately 32.1% for FY2018. Our gross profit margin decreased from approximately 34.2% for 8M2018 to approximately 27.5% for 8M2019.

Our total gross profit was mainly contributed by gross profit from sale of products. Our gross profit margin for sale of products increased from approximately 21.4% for FY2016 to approximately 27.1% for FY2017, and further increased to approximately 31.7% for FY2018, and decreased to approximately 27.3% for 8M2019. According to the CIC Report, (i) the price of pentoxide products and potassium heptafluorotantalate both increased throughout the period from FY2016 to FY2018 and decreased for 8M2019; and (ii) the price of tantalum ores and niobium ores followed the same pattern as the demand for tantalum-based products increased throughout the period from FY2016 to FY2018 and then stabilised for 8M2019. The decrease in gross profit margin for 8M2019 was mainly due to (i) the decrease in our average selling price for 8M2019; and (ii) the utilisation during 8M2019 of our inventories as at 31 December 2018 which was purchased when the market price of raw material was higher.

## SUMMARY

### PRODUCTION FACILITIES

As at the Latest Practicable Date, we operated one production plant with a total site area of approximately 113,265 sq.m., which is located in Yingde, Guangdong Province. As at the Latest Practicable Date, our production facilities had nine production lines for pentoxide products and potassium heptafluorotantalate. The following tables set forth the utilisation rates of our production lines by product type during the Track Record Period:

<b>Pentoxide products</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>8M2019</b>
Estimated production capacity <sup>(1)</sup> (tonnes)	804	804	1,282.5	1,200
Actual production volume (tonnes):	771.6	922.5	1,121.5	876.6
Production volume for sale of products <sup>(2)</sup> (tonnes)	608.1	820.2	1,040.0	863.0
Production volume for provision of processing services (tonnes)	163.5	102.3	81.5	13.6
Utilisation rate <sup>(3)</sup> (%)	96.0	114.7	87.4	73.1
<b>Potassium heptafluorotantalate</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>8M2019</b>
Estimated production capacity <sup>(1)</sup> (tonnes)	207	207	207	138
Actual production volume (tonnes):	107.3	108.5	199.5	59.0
Production volume for sale of products <sup>(4)</sup> (tonnes)	45.6	84.0	181.5	47.2
Production volume for provision of processing services (tonnes)	61.7	24.5	18.0	11.8
Utilisation rate <sup>(3)</sup> (%)	51.8	52.4	96.4	42.8

*Notes:*

- (1) For FY2016, FY2017 and FY2018, the estimated production capacity for each product was calculated based on 300 working days per year with 24 working hours per day. For 8M2019, the estimated production capacity was calculated on a pro-rata basis of the estimated production capacity for the year ended 31 December 2019.
- (2) The production volume of pentoxide products includes the pentoxide products we engaged third-party metallurgy companies to process into processed products such as niobium powder, niobium bars and tantalum carbide, which in aggregate amounted to approximately 1.6 tonnes, nil, 10.1 tonnes and 26.5 tonnes, respectively, for FY2016, FY2017, FY2018 and 8M2019.
- (3) Utilisation rate is derived by dividing the actual production volume for the relevant year/period by the estimated production capacity for the relevant year/period.
- (4) The production volume of potassium heptafluorotantalate includes the potassium heptafluorotantalate we engaged third-party metallurgy companies to process into processed products, namely tantalum bars, which amounted to approximately 12.1 tonnes, 14.5 tonnes, 33.8 tonnes and 13.1 tonnes, respectively, for FY2016, FY2017, FY2018 and 8M2019.

The utilisation rate for our production lines for pentoxide products increased from approximately 96.0% for FY2016 to approximately 114.7% for FY2017 and exceeded 100%, mainly because we reduced the frequency of equipment maintenance and increased the number of production days to fulfil our orders during FY2017. The utilisation rate for our production lines for pentoxide products decreased from approximately 87.4% for FY2018 to approximately 73.1% for 8M2019, mainly because (i) our estimated production capacity for 8M2019 further increased as a result of the expansion of our production lines, which increased our estimated production capacity for pentoxide products from approximately 804 tonnes for FY2017 to approximately 1,282.5 tonnes for FY2018 to approximately 1,800 tonnes for the year ended 31 December 2019; and (ii) in February 2019 our production facilities were closed for 25 days for general maintenance, despite our actual production volume of pentoxide products for 8M2019 exceeded that for 8M2018.

The utilisation rate for our production line for potassium heptafluorotantalate increased from approximately 52.4% for FY2017 to approximately 96.4% for FY2018, mainly driven by the purchase by Customer F for a large volume of potassium heptafluorotantalate, which accounted for a majority of our sale of potassium heptafluorotantalate by volume for FY2018. Customer F procured its raw materials through an online tendering system. Customer F's purchase for potassium heptafluorotantalate increased for FY2018 because we were awarded contract for the sales of potassium heptafluorotantalate for several months. The utilisation rate for our production line for potassium heptafluorotantalate decreased from approximately 96.4% for FY2018 to approximately 42.8% for 8M2019, mainly driven by the significant decrease in sales orders for potassium heptafluorotantalate from Customer F.

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

## SUMMARY

### RESEARCH AND DEVELOPMENT

We place significant emphasis on research and development. To advance our research and development capabilities, we have established a research and development department, which, as at the Latest Practicable Date, comprised 11 employees. Our research and development department is led by our executive Director and chief executive officer, Mr. Wu, and our vice president, Mr. Zhong Yuelian, who have over 30 and 25 years of experience in the tantalum and niobium metallurgy industry, respectively. In addition, two of our senior engineers and an industrial analysis engineer also participate in our research and development projects.

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

For details, please refer to the paragraph headed “Business — Research and development” in this prospectus.

### CUSTOMERS, SALES AND MARKETING

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

	FY2016		FY2017		FY2018		8M2018		8M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Metallurgy companies	139,487	64.1	194,274	63.2	381,206	74.1	282,097	81.1	332,285	82.9
Trading companies	77,954	35.9	113,086	36.8	133,512	25.9	65,718	18.9	68,501	17.1
<b>Total revenue</b>	<b>217,441</b>	<b>100.0</b>	<b>307,360</b>	<b>100.0</b>	<b>514,718</b>	<b>100.0</b>	<b>347,815</b>	<b>100.0</b>	<b>400,786</b>	<b>100.0</b>

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

	FY2016		FY2017		FY2018		8M2018		8M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
The PRC	173,898	80.0	260,503	84.8	462,827	89.9	331,969	95.4	361,352	90.2
The United States	19,990	9.2	21,875	7.1	19,995	3.9	2,275	0.7	22,286	5.5
European countries <sup>(1)</sup>	18,279	8.4	13,796	4.5	19,365	3.8	7,497	2.2	4,439	1.1
Others <sup>(2)</sup>	5,274	2.4	11,186	3.6	12,531	2.4	6,074	1.7	12,709	3.2
<b>Total revenue</b>	<b>217,441</b>	<b>100.0</b>	<b>307,360</b>	<b>100.0</b>	<b>514,718</b>	<b>100.0</b>	<b>347,815</b>	<b>100.0</b>	<b>400,786</b>	<b>100.0</b>

Notes:

- (1) During the Track Record Period, we sold our products to different European countries, including Austria, France, Luxembourg and the United Kingdom.
- (2) Others included Hong Kong, Japan, South Korea and Taiwan.

For FY2016, FY2017, FY2018 and 8M2019, revenue generated from our five largest customers accounted for approximately 44.9%, 52.6%, 62.4% and 58.2% of our total revenue for the same years/period, respectively. For FY2016, FY2017, FY2018 and 8M2019, revenue generated from our largest customer accounted for approximately 14.5%, 21.5%, 27.0% and 27.5% of our total revenue for the same years/period, respectively. During the Track Record Period, some of our major customers were also our suppliers. For details, please refer to the paragraphs headed “Business — Raw materials, utilities and suppliers — Entities that were both customers and suppliers” in this prospectus.

### RAW MATERIALS, UTILITIES AND SUPPLIERS

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

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For FY2016, FY2017, FY2018 and 8M2019, purchases from our five largest suppliers accounted for approximately 72.1%, 52.9%, 53.7% and 65.3% of our total purchases for the same years/period, respectively. For FY2016, FY2017, FY2018 and 8M2019, purchases from our largest supplier accounted for approximately 23.1%, 22.4%, 25.8% and 22.5% of our total purchases for the same years/period, respectively. During the Track Record Period, some of our major suppliers were also our customers. For details, please refer to the paragraphs headed “Business — Raw materials, utilities and suppliers” and “Business — Raw materials, utilities and suppliers — Entities that were both customers and suppliers” in this prospectus.

### COMPETITIVE STRENGTHS

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

### BUSINESS STRATEGIES

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

### SUMMARY KEY FINANCIAL INFORMATION

#### *Summary of the consolidated statements of profit or loss*

	FY2016	FY2017	FY2018	8M2018	8M2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>CONTINUING OPERATIONS</b>					
Revenue	217,441	307,360	514,718	347,815	400,786
Gross profit	51,757	87,344	165,233	119,003	110,056
Profit before tax from continuing operations	28,920	46,634	90,094	73,726	62,455
Income tax expense	(4,256)	(8,050)	(13,023)	(11,042)	(11,045)
Profit for the year/period from continuing operations	24,664	38,584	77,071	62,684	51,410
<b>DISCONTINUED OPERATION</b>					
Loss for the year/period from a discontinued operation	(787)	—	—	—	—
Profit for the year/period	23,877	38,584	77,071	62,684	51,410

The increase in our net profit from continuing operations from FY2016 to FY2018 was mainly driven by the increase in our revenue and gross profit margin. The decrease in our net profit from continuing operations from 8M2018 to 8M2019 was mainly due to (i) the decrease in our gross profit margin and as a result the decrease in our gross profit outweighed the increase in our revenue; and (ii) the increase in our Listing expenses. For detailed analysis of our results of operations, please refer to the paragraph headed “Financial Information — Principal components of the consolidated statements of profit or loss” in this prospectus.

#### *Summary of consolidated statements of financial position*

	As at 31 December			As at 31 August 2019
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	55,809	79,787	107,819	119,334
Current assets	176,508	249,880	365,263	341,187
Current liabilities	95,005	98,465	169,341	110,487
Net current assets	81,503	151,415	195,922	230,700
Non-current liabilities	1,286	56,238	52,219	47,386
<b>Net assets</b>	<b>136,026</b>	<b>174,964</b>	<b>251,522</b>	<b>302,648</b>

## SUMMARY

Our net current assets increased during the Track Record Period, mainly driven by the increase in our revenue and net profit which contributed to the overall increase in our inventories, trade and bills receivables and cash and cash equivalents, offset by the overall increase in our trade payables and bank borrowings. For detailed analysis of our net current assets, please refer to the paragraph headed “Financial Information — Liquidity and capital resources — Net current assets” in this prospectus.

The increase in our net assets during the Track Record Period was mainly due to the increase in our net profit.

### *Summary of the consolidated statements of cash flows*

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>8M2018</u>	<u>8M2019</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating cash flows before movements in working capital	35,214	58,045	100,460	79,681	72,156
Movements in working capital	<u>(32,087)</u>	<u>(71,364)</u>	<u>(40,899)</u>	<u>(129,204)</u>	<u>(36,519)</u>
Cash generated from/(used in) operations	3,127	(13,319)	59,561	(49,523)	35,637
Taxes paid	<u>(3,112)</u>	<u>(6,261)</u>	<u>(9,560)</u>	<u>(5,028)</u>	<u>(11,578)</u>
Net cash generated from/(used in) operating activities	15	(19,580)	50,001	(54,551)	24,059
Net cash used in investing activities	(5,313)	(28,342)	(32,916)	(12,149)	(21,413)
Net cash generated from/(used in) financing activities	<u>9,849</u>	<u>68,959</u>	<u>42,508</u>	<u>55,384</u>	<u>(42,728)</u>
Net increase/(decrease) in cash and cash equivalents	4,551	21,037	59,593	(11,316)	(40,082)
Effect of foreign exchange rate changes, net	—	(163)	2,061	755	2,524
Cash and cash equivalents at beginning of year/period	<u>12,145</u>	<u>16,696</u>	<u>37,570</u>	<u>37,570</u>	<u>99,224</u>
Cash and cash equivalents at end of year/period	<u>16,696</u>	<u>37,570</u>	<u>99,224</u>	<u>27,009</u>	<u>61,666</u>

For FY2017 and 8M2018 we recorded net cash used in operating activities, which was mainly attributable to the increase in our inventories, trade and bills receivables and prepayments, deposits and other receivables. For the associated risks, please refer to the paragraph headed “Risk Factors — We had net cash used in operating activities for FY2017, and we may have difficulty meeting our payment obligations if we continue to record net cash used in operating activities in the future.” in this prospectus. On the other hand, we recorded net cash used in investing activities for all years/periods presented, mainly due to purchases of property, plant and equipment. In addition, we recorded net cash generated from financing activities for FY2016, FY2017, FY2018 and 8M2018, mainly due to our new bank borrowings. For detailed analysis of our cash flows, please refer to the paragraph headed “Financial Information — Liquidity and capital resources — Cash flows” in this prospectus.

### *Key Financial Ratios*

	<u>As at/For the year ended 31 December</u>			<u>As at/For the eight months ended 31 August 2019</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Gross profit margin	23.8%	28.4%	32.1%	27.5%
Net profit margin for continuing operations	11.3%	12.6%	15.0%	12.8%
Return on equity	18.1%	22.1%	30.6%	25.5%
Return on assets	10.6%	11.7%	16.3%	16.7%
Current ratio	1.9	2.5	2.2	3.1
Quick ratio	1.6	1.8	1.2	2.3
Gearing ratio	9.8%	36.8%	19.4%	15.3%
Debt to equity ratio	22.1%	58.3%	58.9%	35.7%
Interest coverage ratio	11.6	13.9	15.0	15.4

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



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## SUMMARY

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### CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and Capitalisation Issue, and without taking into account any Share which may be allotted and issued pursuant to the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme, Jiawei Resources Seychelles will hold approximately 52.5% of the issued share capital of our Company, where Jiawei Resources Seychelles is wholly owned by Mr. Wu. As Jiawei Resources Seychelles and Mr. Wu directly or indirectly are entitled to exercise or control the exercise of 30% or more of the voting power at our Company's general meeting, each of Jiawei Resources Seychelles and Mr. Wu is regarded as our Controlling Shareholder under the Listing Rules.

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

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

### NON-COMPLIANCE MATTERS

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

### LISTING EXPENSES

The total amount of Listing expenses in connection with the Global Offering, including underwriting commissions, is estimated to be approximately RMB64.8 million (equivalent to approximately HK\$72.8 million) (based on the mid-point of the indicative Offer Price range), representing approximately 37.9% of our estimated gross proceeds from the Global Offering (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised). The Listing expenses of: (i) approximately RMB20.3 million (equivalent to approximately HK\$22.8 million) is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard; and (ii) approximately RMB44.5 million (equivalent to approximately HK\$50.0 million) has been or is to be charged to the consolidated statements of profit or loss, of which (a) approximately RMB1.3 million, RMB6.7 million, RMB4.8 million and RMB8.5 million have been charged for FY2016, FY2017, FY2018 and 8M2019, respectively; and (b) approximately RMB23.2 million is expected to be charged prior to or upon Listing.

### USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised, we estimate that we will receive net proceeds of approximately HK\$147.6 million (equivalent to approximately RMB129.7 million) from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK\$2.56 per Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use such net proceeds from the Global Offering for the following purposes: (i) approximately 68.8% (approximately HK\$101.5 million or equivalent to RMB89.2 million) would be used to extend our production to downstream products, such as tantalum powder and tantalum bars; (ii) approximately 17.9% (approximately HK\$26.5 million or equivalent to RMB23.3 million) would be used to finance part of the expected cost of five of our upcoming research and development projects, which are expected to commence in 2020, with a term of one to two years; (iii) approximately 3.5% (approximately HK\$5.2 million or equivalent to RMB4.5 million) would be used for strengthening our sales network in Europe and our sourcing channels in Brazil; and (iv) approximately 9.8% (approximately HK\$14.4 million or equivalent to RMB12.7 million) would be used as our working capital and for general corporate purposes. For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

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## SUMMARY

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### STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK\$2.23 per Offer Share	Based on an Offer Price of HK\$2.89 per Offer Share
Market capitalisation of our Shares <sup>(Note 1)</sup> . . . . .	HK\$669 million	HK\$867 million
Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(Note 2)</sup> . . . . .	HK\$1.56	HK\$1.72

*Notes:*

1. The calculation of market capitalisation is based on 300,000,000 Shares expected to be in issue immediately following the completion of the Capitalisation Issue and the Global Offering without taking into account Shares to be issued pursuant to the exercise of the Over-allotment Option and any options to be granted under the Share Option Scheme.
2. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating these figures.

### DIVIDENDS

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

### PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2019

Estimated consolidated profit for the year ended 31 December 2019 <sup>(Notes 1 and 2)</sup>	not less than RMB69 million
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*Notes:*

- (1) The bases on which the above profit estimate for the year ended 31 December 2019 have been prepared are summarised in Appendix III to this prospectus. Our Directors have prepared the estimated consolidated profit for the year ended 31 December 2019 based on (i) the audited consolidated results for the eight months ended 31 August 2019; and (ii) the unaudited consolidated results based on the management accounts of our Group for the four months ended 31 December 2019. The profit estimate has been prepared on a basis consistent in all material respects with the accounting policies that we adopt as set out in the Accountants’ Report.
- (2) The above profit estimate has taken into account the estimated Listing expenses of approximately RMB12 million for the year ended 31 December 2019. Excluding such estimated Listing expenses, our Directors estimated that the estimated consolidated profit for the year ended 31 December 2019 were not less than approximately RMB81 million.

### RISK FACTORS

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

You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific risks set forth in the section headed “Risk Factors” in this prospectus in deciding whether to invest in our Shares.

### RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our business remained stable after the Track Record Period. Based on our unaudited consolidated financial statements for the year ended 31 December 2019, we recorded a higher revenue for the year ended 31 December 2019 as compared to that for FY2018, mainly driven by the increase in sales volume for sale of products which outweighed the decrease in average selling price.

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Our total sales volume of industrial grade tantalum pentoxide, high-purity tantalum pentoxide, industrial grade niobium pentoxide, high-purity niobium pentoxide and potassium heptafluorotantalate amounted to approximately 183.4 tonnes, 6.2 tonnes, 1,062.1 tonnes, 228.2 tonnes and 71.7 tonnes for the year ended 31 December 2019, respectively, as compared to approximately 81.6 tonnes, 6.5 tonnes, 751.7 tonnes, 169.1 tonnes and 159.0 tonnes for FY2018, respectively.

In terms of average selling price, our average selling price of industrial grade tantalum pentoxide, high-purity tantalum pentoxide, industrial grade niobium pentoxide, high-purity niobium pentoxide and potassium heptafluorotantalate decreased from approximately RMB1.4 million per tonne, RMB1.5 million per tonne, RMB223,800 per tonne, RMB272,000 per tonne and RMB845,200 per tonne for FY2018, respectively, to approximately RMB1.2 million per tonne, RMB1.3 million per tonne, RMB191,200 per tonne, RMB257,000 per tonne and RMB686,600 per tonne for the year ended 31 December 2019, respectively. Such decreasing trend was generally consistent with the overall market trend.

In addition, we recorded an increase in raw materials costs for the year ended 31 December 2019 as compared to that for FY2018, which outweighed the increase in revenue. As a result, we recorded a decrease in gross profit and gross profit margin for the year ended 31 December 2019 as compared to that for FY2018.

Since January 2020, there is an outbreak of the Novel Coronavirus in the PRC, in particular in the Wuhan City. The Novel Coronavirus is highly infectious and has resulted in a number of deaths in the PRC. In order to reduce the risk of widespread of the Novel Coronavirus, the government of the PRC imposed a lockdown in the Wuhan City since 23 January 2020 and announced to extend the Chinese New Year holiday and delay the resumption of work in the PRC. Different local governments of the PRC have imposed temporary restrictions or bans on passenger traffic to control the spread of the Novel Coronavirus. On 31 January 2020, the World Health Organisation declared the outbreak of the Novel Coronavirus as a public health emergency of international concern but the World Health Organisation did not recommend any travel or trade restriction based on the information available. As at the Latest Practicable Date, some foreign countries had also imposed restrictions or bans on passenger traffic from China to control the spread of the Novel Coronavirus. Our Directors have carried out a holistic review of the impact of the Novel Coronavirus on our operations, and confirmed that, based on the measures imposed by overseas countries and the central and local governments of the PRC as at the Latest Practicable Date, the Novel Coronavirus is not expected to bring any permanent or material interruption to our operations based on the following grounds:

### **A. Impact on our daily operations**

While our production was temporarily suspended from 31 January 2020 to 10 February 2020 in accordance with the extension of the Chinese New Year holiday and delay in resumption of work announced by the government of the PRC, we can increase the number of production days by adjusting our maintenance frequency and arranging production during public holidays after the resumption of work to catch up with the production schedule. In addition, we have maintained an inventory of our products, which we estimate that it is sufficient for sale to our customers for approximately three months. As such, we believe that the temporary suspension of our production in compliance with the PRC Government's announcements to extend the Chinese New Year holiday and delay in resumption of work is not expected to cause any material delay in our production.

Our production process is not labour intensive and does not cause crowd gathering in our production facilities. Our Group has issued guidelines to remind our employees to observe personal hygiene to prevent the spread of the Novel Coronavirus within our production facilities. According to such guidelines, all employees are required to measure their body temperature before entering our production facilities, wear masks within our production facilities, and regularly disinfect public areas within our production facilities.

In response to the Novel Coronavirus, we have implemented interim flexible working arrangements, and allowed our office staff to work at home. We believe that such interim flexible working arrangements could help prevent the spread of the Novel Coronavirus in the work environment.

### **B. Impact on our management team and employees**

In response to the Novel Coronavirus, we have implemented an interim policy requiring our management members and employees to declare if they have recently travelled to the Wuhan City or Hubei Province, and if such, they should work at home and they should only return to our office or production facilities upon receiving further notice from our Group. As at the Latest Practicable Date, 16 of our employees visited the Wuhan City or Hubei Province during the Chinese New Year holiday and was required to work at home according to our interim policy. Since such 16 employees only amounted for approximately 7.3% of our employees and none of them are our Director or members of our senior management, we consider that their temporary absence from our production facilities would not cause material adverse impact on our production. In the event that any of our employees is ill upon return to work at our production facilities or office, we

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## SUMMARY

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would arrange such employee to be quarantined and arrange disinfection of the areas that such employee have visited within our production facilities or office. We believe such measures are effective in reducing the risk of spreading of the Novel Coronavirus among our employees.

### **C. Impact on the demand for our products**

According to the CIC Report, the outbreak of the Novel Coronavirus is expected to bring limited impacts to the markets of tantalum- and niobium-based metallurgical products and their downstream products in the long run because (1) tantalum- and niobium-based metallurgical products are essential in the downstream manufacture of many products used in high-tech industries, such as special alloy, chemical, electronic ceramics, aeronautics, aerospace, high-end electronics, defence and hard alloy; (2) as China is a major exporter of tantalum- and niobium-based metallurgical products to the developed countries where major manufacturers for processing and production of key end products of tantalum and niobium-based metallurgical products are located and the tantalum and niobium metallurgy industry has high entry barriers, overseas customers may not find readily available alternative and abundant supplies of the products out of China; (3) the tantalum and niobium metallurgy industry and the downstream industries are not industries that would commonly be affected by epidemic, as compared with the service industries and labour intensive industries; (4) while delivery and production will be slightly delayed due to the extension of the Chinese New Year holiday and the delay in resumption of work in the PRC, our production resumed on 10 February 2020 according to the approval from the relevant authority and delivery is expected to resume gradually.

In addition, we consider that the demand for our products is not affected by the Novel Coronavirus because:

- (1) According to the CIC Report, we were one of the 15 major market players in the tantalum and niobium metallurgy industry in China in 2018, and we were the largest producer of tantalum- and niobium-based hydrometallurgical products in China for FY2016, FY2017 and FY2018 in terms of total annual production volume for external sales. As there is only a limited number of major market players in the tantalum and niobium metallurgy industry, we believe our customers may not find readily available alternative and abundant supplies of our products within China within a short period of time.
- (2) We have maintained stable working relationship with our major suppliers and customers. As advised by our major customers during the Track Record Period (including customers in the PRC and overseas customers), the Novel Coronavirus would not cause material adverse impact on their business and they do not expect that the Novel Coronavirus would have any adverse impact on the business relationship with our Group.

### **D. Impact on imports of our raw materials**

We have maintained an inventory of raw materials, which we estimate that it is sufficient for our production for up to three months. Any temporary restriction or interruption on the transportation of our raw materials is not expected to cause disruption to our production.

Our raw materials imported from overseas countries mainly include ores. During the Track Record Period, we mainly imported ores from Brazil, Nigeria and Sierra Leone. As at the Latest Practicable Date, as advised by the Industry Consultant, no shipment restriction was imposed due to the Novel Coronavirus on export of ores to the PRC by these countries. We have maintained a list of alternative suppliers and we can source from the alternative suppliers in the event that these countries from which we imported ores impose any restriction on the export to the PRC.

### **E. Impact on exports of our products**

As at the Latest Practicable Date, as advised by the Industry Consultant, no shipment restriction was imposed due to the Novel Coronavirus on the import of tantalum- and niobium-based metallurgical products from the PRC. During the Track Record Period, most of our products exported to overseas countries were mainly delivered via seagoing vessels. We have maintained close liaison with different logistics services providers, and we were informed by the logistics services providers that they did not contemplate any material interruption to freight transport.

In addition, we maintain close liaison with our customers. In the event that any of the countries that our customers were located imposes any shipment restriction due to the Novel Coronavirus on the import of our products from the PRC, we will discuss alternative arrangement with our customers.

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However, any prolonged outbreak of the Novel Coronavirus may result in further suspension of our production or restriction on delivery of goods, and our business and results of operation may be materially affected. For further details, please refer to the paragraph headed “Risk Factors — The national and regional economies in China and our business may be adversely affected by factors beyond our control such as natural disasters, acts of war or terrorism and epidemics, including the Novel Coronavirus” in this prospectus.

As disclosed above, based on the measures imposed by overseas countries and the central and local governments of the PRC as at the Latest Practicable Date, our Directors are of the view that the Novel Coronavirus is not expected to bring any permanent or material interruption to our operations. However, if the outbreak of the Novel Coronavirus prolongs and the following unlikely and extreme events occur, including:

- (i) imports of our raw materials are completely restricted and our production is completely suspended; and
- (ii) transportation and delivery of our products within the PRC and to overseas are completely restricted and our sale is completely withheld;

our Directors estimate that our cash and cash equivalents and bills receivables as at the Latest Practicable Date are sufficient to maintain our Group’s financial viability for the coming 12 months in settling our estimated monthly fixed costs (including rentals and staff costs), trade payables and bank borrowings outstanding as at the Latest Practicable Date. If, in addition to the above unlikely and extreme events, we are unable to recover any of our trade receivables as at the Latest Practicable Date, our Directors estimate that our cash and cash equivalents and bills receivables as at the Latest Practicable Date are sufficient to maintain our Group’s financial viability for the coming five months in settling our estimated monthly fixed costs, trade payables and bank borrowings outstanding as at the Latest Practicable Date.

Our Directors confirmed that, up to the date of this prospectus, other than the estimated Listing expenses of approximately RMB64.8 million and the temporary suspension of our production described above, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since 31 August 2019.