

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### HISTORY AND DEVELOPMENT

Our Group was established in April 2011 in Laizhou city, Shandong province, the PRC by Mr. Liu, the founder of our Group. Mr. Liu is the chairman of our Board, an executive Director and a Controlling Shareholder. See “Directors and Senior Management — Board of Directors — Executive Directors” in this document for details on the background of Mr. Liu. In 2011, Mr. Liu founded HC Mining with a vision for environmental protection in the area of providing gold mine hazardous waste treatment services in the PRC and extracting resources with economic value for sale from gold mine hazardous waste. With much preparation and planning, in 2014, HC Environmental was established for obtaining regulatory approval to carry out the plan to build the production facility in Jincheng town, Laizhou city. The production facility was completed in June 2014. Our business further expanded when HC Mining completed the production facility in Shahe town, Laizhou city, in July 2019. As at the Latest Practicable Date, the aggregate permitted annual treatment capacity of these two production facilities was 1.16 million tonnes. See “Business” in this document for further details of our business operations.

#### Milestones

The key business and corporate milestones of our Group since our establishment are as follows:

<b>Year</b>	<b>Business development</b>
April 2011	Our Group was founded by Mr. Liu with HC Mining in the PRC with the intention to carry out hazardous waste treatment and recycling business
June 2014	We completed the construction of our production facility in Jincheng town, Laizhou city
February 2019	HC Environmental was awarded with the Enterprise Progress Award (企業進步獎) by Laizhou City Municipal Government (萊州市人民政府)
July 2019	We completed the construction of our production facility in Shahe town, Laizhou city
July 2020	We collaborated with Chaoyang NEU Minerals and Metallurgy Institute (朝陽東大礦冶研究院) to carry out a furnace smelting study for gold tailings processing technology
September 2020	We were approved as a standing member by the All-China Environment Federation (中華環保聯合會)

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

Year	Business development
December 2020	HC Mining was awarded 2020 Shandong Top Ten Innovation Achievements Award of Circular Economy (2020年度山東省循環經濟十大創新成果獎) by Shandong Provincial Circular Economy Association (山東省循環經濟協會)

### ESTABLISHMENT AND MAJOR CHANGES CONCERNING MAIN OPERATING SUBSIDIARIES OF OUR GROUP

#### HC Mining

HC Mining is one of our main operating subsidiaries which principally engages in the provision of gold mine hazardous waste treatment services and the recycling and extraction of resources with economic value for sale from gold mine hazardous waste. It was established in the PRC as a limited liability company on 28 April 2011. At the time of its establishment, HC Mining had a registered capital of RMB10 million, which was fully paid-up on 14 June 2012, and was owned as to 95% by Mr. Liu and 5% by Ms. Yu Hangcheng (“**Ms. Yu**”), an Independent Third Party.

On 8 July 2014, Ms. Yu transferred all her 5% interests in HC Mining to Mr. Liu YS, the father of Mr. Liu, at a consideration of RMB500,000, being the value of 5% of the registered capital of HC Mining, pursuant to an equity transfer agreement dated 7 July 2014. Upon completion of such transfer, the registered capital of HC Mining was owned as to 95% by Mr. Liu and 5% by Mr. Liu YS.

As a result of the Reorganisation, HC Mining became an indirect wholly-owned subsidiary of our Company. For further details, see “History, Reorganisation and Corporate Structure — Reorganisation” in this document.

#### HC Environmental

HC Environmental is one of our main operating subsidiaries which principally engages in the provision of gold mine hazardous waste treatment services and the recycling and extraction of resources with economic value for sale from gold mine hazardous waste. It was established in the PRC as a limited liability company on 12 February 2014. At the time of its establishment, HC Environmental had a registered capital of RMB1 million, which was fully paid-up on its establishment, and was owned as to 51% by Mr. Liu and 49% by Ms. Li Liyan (“**Ms. Li**”), the spouse of Mr. Liu.

On 24 June 2014, Mr. Liu transferred all of his interests in HC Environmental, being 51% of the registered capital of HC Environmental, to Mr. Liu YS at a consideration of RMB510,000, being the value of 51% of the registered capital of HC Environmental, pursuant to an equity transfer agreement dated 6 May 2014 entered into between Mr. Liu and Mr. Liu YS. On the same day, Ms. Li transferred all of her interests in HC Environmental, being 49% of the registered capital of HC Environmental, to Mr. Zhan, our

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

chief executive officer and an executive Director, at a consideration of RMB490,000, being the value of 49% of the registered capital of HC Environmental, pursuant to an equity transfer agreement dated 6 May 2014 entered into between Ms. Li and Mr. Zhan. Upon such transfers, the registered capital of HC Environmental was owned as to 51% by Mr. Liu YS and 49% by Mr. Zhan.

On 31 March 2015, Mr. Liu YS transferred all of his interests in HC Environmental, being 51% of the registered capital of HC Environmental, to Mr. Zhan at a consideration of RMB510,000, being the value of 51% of the registered capital of HC Environmental, pursuant to an equity transfer agreement dated 27 March 2015 entered into between Mr. Liu YS and Mr. Zhan. Upon such transfer, the entire registered capital of HC Environmental was owned by Mr. Zhan.

On 22 May 2015, Mr. Zhan transferred all of his interests in HC Environmental, being the entire registered capital of HC Environmental, to Ms. Lv, the mother of Mr. Liu, at a consideration of RMB1.0 million, being the value of the entire registered capital of HC Environmental, pursuant to an equity transfer agreement dated 15 May 2015. Upon such transfer, the entire registered capital of HC Environmental was owned by Ms. Lv.

On 30 October 2015, the registered capital of HC Environmental was increased by RMB19.0 million (which was fully paid-up by Mr. Liu on 27 November 2015). Upon such increase, the registered capital of HC Environmental has become RMB20 million and was owned as to 95% by Mr. Liu and 5% by Ms. Lv.

On 16 November 2016, Mr. Liu transferred all of his interests in HC Environmental, being 95% of the registered capital of HC Environmental, to Ms. Lv, at a consideration of RMB19.0 million, being the value of 95% of the registered capital of HC Environmental, pursuant to an equity transfer agreement dated 14 November 2016 entered into between Mr. Liu and Ms. Lv. Upon such transfer, the entire registered capital of HC Environmental was owned by Ms. Lv.

On 20 October 2017, Ms. Lv transferred part of her interests in HC Environmental, being 90% of the registered capital of HC Environmental, to Mr. Liu at a consideration of RMB18.0 million, being the value of 90% of the registered capital of HC Environmental, pursuant to an equity transfer agreement dated 19 October 2017 entered into between Ms. Lv and Mr. Liu. Upon such transfer, the registered capital of HC Environmental was owned as to 90% by Mr. Liu and 10% by Ms. Lv.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

On 3 April 2020, Ms. Lv, transferred all of her interests in HC Environmental, being 10% of the registered capital of HC Environmental, to Mr. Liu YS at a consideration of RMB2.0 million, being the value of 10% of the registered capital of HC Environmental, pursuant to an equity transfer agreement dated 31 March 2020 entered into between Ms. Lv and Mr. Liu YS. Upon such transfer, the registered capital of HC Environmental was owned as to 90% by Mr. Liu and 10% by Mr. Liu YS.

As a result of the Reorganisation, HC Environmental became an indirect wholly-owned subsidiary of our Company. For further details, see “History, Reorganisation and Corporate Structure — Reorganisation” in this document.

### HC Resources

HC Resources is one of our subsidiaries with the business scope of metal waste processing services; processing and sales of iron powder, building materials, metal products; mine engineering construction; technology research and technology promotion services of mine engineering. It was established in the PRC as a limited liability company on 10 January 2019. At the time of its establishment, HC Resources had a registered capital of RMB50.0 million which was not yet paid as at the Latest Practicable Date and the entire registered capital of which was owned by HC Mining.

On 22 May 2019, the registered capital of HC Resources was increased by RMB100.0 million to RMB150.0 million and such registered capital was not yet paid as at the Latest Practicable Date. Upon such increase, the registered capital of HC Resources was owned as to approximately 33.3% by HC Mining, 33.3% by HC Environmental and 33.3% by Beijing Yutaida. Beijing Yutaida was owned as to 95% by Mr. Liu as at the Latest Practicable Date and will not become part of our Group upon [REDACTED].

On 18 December 2019, Beijing Yutaida transferred its 33.3% equity interest in HC Resources to HC Mining as to 17.67% and HC Environmental as to 15.67% respectively, at nil consideration. As confirmed by our Directors, at the time of such transfers, HC Resources’ registered capital had not been paid at all and HC Resources had no material business operation. Upon completion of such transfers, the registered capital of HC Resources was owned as to 51% by HC Mining and 49% by HC Environmental.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

As advised by our PRC Legal Advisers, although the registered capital of HC Resources has not been fully paid up as at the Latest Practicable Date, it was in compliance with the PRC Company Law and the articles of association of HC Resources.

As at the Latest Practicable Date, approximately RMB2 million out of RMB150 million of the registered capital of HC Resources has been paid up and the remaining portion of RMB148 million was not required to be paid up until 1 December 2023 according to the articles of association of HC Resources.

### **Shandong Jinjia**

Shandong Jinjia is one of our subsidiaries with the business scope of manufacturing of special equipment for environmental protection, manufacturing of special instruments for environmental monitoring, sales of special equipment for environmental protection, technical services, technology development, technical consultation, technical exchanges, technology transfer, technology promotion and parts. It was established in the PRC as a limited liability company on 8 June 2020. Since its establishment and up to the Latest Practicable Date, Shandong Jinjia had a registered capital of USD10.0 million which approximately USD4.5 million has been paid as at the Latest Practicable Date, and the entire registered capital of which was owned by HC Hong Kong. According to the articles of association of Shandong Jinjia, the registered capital shall be payable by 1 January 2025.

As advised by our PRC Legal Advisers, although the registered capital of Shandong Jinjia has not been fully paid up as at the Latest Practicable Date, it was in compliance with the PRC Company Law and Shandong Jinjia’s articles of association.

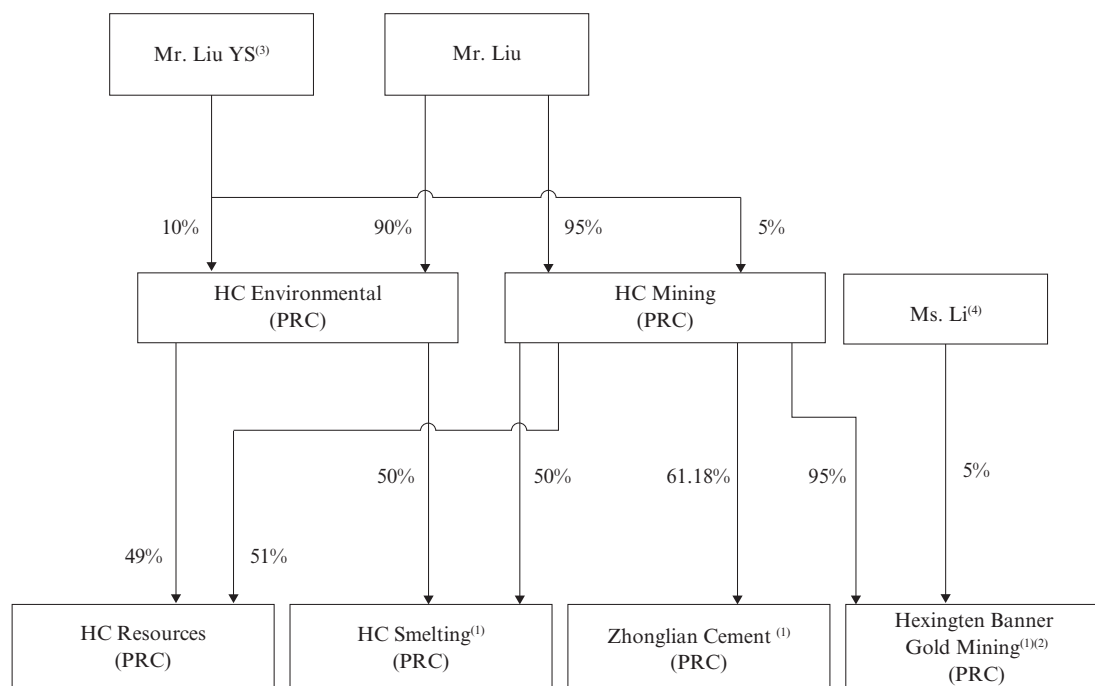
### **HC R&D**

HC R&D is a private non-enterprise entity (民辦非企業單位) established for the purpose of carrying out research and development for our Group. It was established by HC Mining and HC Environmental on 11 June 2020 with the initial set up capital of RMB200,000, which was fully paid up.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### REORGANISATION

The shareholding and corporate structure of our Group immediately prior to the Reorganisation is set out below:



*Notes:*

1. HC Smelting, Hexingten Banner Gold Mining, Jingwei Elderly Care and Zhonglian Cement would not become our Group’s subsidiaries upon completion of the Reorganisation. The entire registered capital of such companies were disposed of during the Reorganisation. For further details regarding the disposed companies, see “— Reorganisation — Corporate reorganisation — (5) Disposal of various non-group entities and establishment of HC R&D” in this section.
2. Hexingten Banner Gold Mining directly held 100% equity interest of another inactive company Yantai City Jingwei Elderly Care Services Limited (煙臺市璟煒養老服務有限公司), which has been deregistered on 4 December 2020.
3. Mr. Liu YS is the father of Mr. Liu.
4. Ms. Li is the spouse of Mr. Liu.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### Corporate reorganisation

In preparation for the [REDACTED], our Group underwent a group reorganisation involving the following steps, which our Directors consider to have been properly and legally completed and settled:

#### *(1) Incorporation of HC International and HC Hong Kong*

HC International was incorporated in the BVI with limited liability on 30 March 2020, which acts as the intermediate holding company of HC Hong Kong. On the date of its incorporation, HC International was authorised to issue a maximum of 50,000 ordinary shares of a single class each with a par value of US\$1.00. On the same day, 1 ordinary share in HC International was allotted and issued, credited as fully-paid, to Mr. Liu at par value. On 16 December 2020, Mr. Liu further applied for 999 ordinary shares in HC International at par value. Upon completion of such allotment and issuance, the entire issued share capital of HC International, which was divided into 1,000 ordinary shares of US\$1.00 each, was owned by Mr. Liu.

HC Hong Kong was incorporated in Hong Kong with limited liability on 16 April 2020, which acts as the intermediate holding company of the main operating subsidiaries of the Group. On the date of its incorporation, the share capital of HC Hong Kong was HK\$1.0 million, comprising 1,000,000 ordinary shares which were allotted and issued to HC International. Upon completion of such allotment and issuance, the entire issued share capital of HC Hong Kong was owned by HC International.

#### *(2) Mr. Sze acquired 2% equity interest in each of HC Mining and HC Environmental*

##### *HC Mining*

On 30 March 2020, Mr. Liu YS entered into an equity transfer agreement with Mr. Liu and Mr. Sze, respectively, to transfer 3% equity interest in HC Mining at a consideration of RMB300,000 to Mr. Liu and 2% equity interest in HC Mining to Mr. Sze at a consideration of HK\$220,000 (equivalent to RMB200,000). The consideration was mainly determined with reference to the valuation appraised by an independent valuer with respect to the net asset value of HC Mining as at 31 December 2019.

On 10 April 2020, HC Mining completed the registration of changes in shareholders, shareholding structure, and business type for the aforementioned equity transfers. HC Mining became a “Limited Liability Company (with Hong Kong, Macau, Taiwan investment, non-wholly owned)” (有限責任公司(港澳台投資、非獨資)). Mr. Sze has paid such consideration in full on 13 August 2020.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### *HC Environmental*

On 19 June 2020, Mr. Liu YS entered into an equity transfer agreement with Mr. Liu and Mr. Sze, respectively, to transfer 8% equity interest in HC Environmental at a consideration of RMB1.6 million to Mr. Liu and 2% equity interest in HC Environmental to Mr. Sze at a consideration of HK\$666,700 (equivalent to RMB600,000). The consideration was determined with reference to factors including but not limited to the valuation report prepared by an independent valuer for the net asset value of HC Environmental as at 31 January 2020 and the net asset value of HC Environmental as at 31 May 2020.

On 16 July 2020, HC Environmental completed the registration of changes in shareholders, shareholding structure, and business type for the aforementioned equity transfers. HC Environmental became a “Limited Liability Company (with Hong Kong, Macau, Taiwan investment, non-wholly owned)” (有限責任公司(港澳台投資、非獨資)). Mr. Sze has paid such consideration in full on 25 August 2020.

### **(3) Establishment of Shandong Jinjia**

Shandong Jinjia was established in the PRC as a limited liability company on 8 June 2020 by HC Hong Kong. Shandong Jinjia had a registered capital of USD10.0 million which was not yet fully paid as at the Latest Practicable Date and the entire registered capital of which was owned by HC Hong Kong.

### **(4) Transfer of 98% equity interest in each of HC Mining and HC Environmental to Shandong Jinjia**

#### *HC Mining*

Pursuant to an equity transfer agreement dated 11 June 2020 entered into between Mr. Liu and Shandong Jinjia, Mr. Liu transferred all his 98% interests in the registered capital of HC Mining, to Shandong Jinjia at a consideration of RMB9.8 million, with reference to the registered capital of HC Mining. Upon completion of such transfer on 19 June 2020, the registered capital of HC Mining was owned as to 98% by Shandong Jinjia and 2% by Mr. Sze.

#### *HC Environmental*

Pursuant to an equity transfer agreement dated 17 July 2020 entered into between Mr. Liu and Shandong Jinjia, Mr. Liu transferred all his interests in the registered capital of HC Environmental, being 98% of its registered capital to Shandong Jinjia at a consideration of RMB19.6 million, with reference to the registered capital of HC Environmental. Upon such transfer on 29 July 2020, the registered capital of HC Environmental was owned as to 98% by Shandong Jinjia and 2% by Mr. Sze.



---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### *(5) Disposal of various non-group entities and establishment of HC R&D*

#### *(i) Disposal of Zhonglian Cement*

Zhonglian Cement is engaged in cement manufacturing business which is not related to our Group’s business prior to the disposal. On 1 April 2020, HC Mining entered into an equity transfer agreement with Beijing Yutaida, pursuant to which HC Mining transferred its entire equity interest of 61.68% of the registered capital of Zhonglian Cement to Beijing Yutaida at a consideration of RMB24.7 million. The consideration was based on the total registered capital of Zhonglian Cement of RMB40 million. Upon completion of the transfer on 1 April 2020, HC Mining no longer held any equity interest in Zhonglian Cement.

As confirmed by our PRC Legal Advisers, the alteration registration with the relevant company registration authority of Zhonglian Cement’s shareholder related to the aforementioned equity transfer was completed on 1 April 2020.

#### *(ii) Disposal of Hexingten Banner Gold Mining*

As confirmed by our Directors, Hexingten Banner Gold Mining was established for a potential project which did not proceed and has been inactive. Hexingten Banner Gold Mining directly held 100% equity interest of another inactive company Yantai City Jingwei Elderly Care Services Limited (煙臺市璟煒養老服務有限公司), which has been deregistered on 4 December 2020. On 20 April 2020, HC Mining entered into an agreement for the disposal of its interests of 95% of the registered capital of Hexingten Banner Gold Mining to Mr. Liu at a consideration of RMB2.85 million, with reference to the registered capital of Hexingten Banner Gold Mining. Upon completion of the transfer on 21 April 2020, HC Mining no longer held any equity interest in Hexingten Banner Gold Mining.

As confirmed by our PRC Legal Advisers, the alteration registration with the relevant company registration authority of Hexingten Banner Gold Mining’s shareholder related to the aforementioned equity transfer was completed on 21 April 2020.

#### *(iii) Disposal and deregistration of HC Smelting*

As confirmed by our Directors, HC Smelting has been inactive since its establishment. On 15 July 2020, HC Mining and HC Environmental completed the disposal of their respective interests of 50% of the registered capital of HC Smelting (which in aggregate represented the entire registered capital HC Smelting) to Beijing Yutaida at nil consideration. Our Directors confirm that the consideration was nil due to it being inactive and the registered capital of HC Smelting had not been paid at all. Upon completion of the transfer on 15 July 2020, HC Smelting was no longer owned by HC Mining and HC Environmental.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

Subsequent to the disposal, HC Smelting has applied for a simplified deregistration procedure on 22 October 2020 and was deregistered on 23 February 2021.

As confirmed by our PRC Legal Advisers, the alteration registration with the relevant company registration authority of HC Smelting’s shareholder related to the aforementioned equity transfer was completed on 15 July 2020.

*(iv) Establishment of HC R&D*

HC R&D was established under the laws of the PRC as a private non-enterprise entity (民辦非企業單位) on 11 June 2020 by HC Mining and HC Environmental. After its establishment, HC R&D, as a private non-enterprise entity, has separate legal identity but it does not possess any shareholding. As at the Latest Practicable Date, the legal representative of HC R&D is Mr. Sheng, our executive Director.

*(6) Incorporation of our Company*

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 12 January 2021, which acts as the ultimate holding company of our Group upon completion of the Reorganisation. On the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. Upon incorporation, one nil-paid Share was allotted and issued to the initial subscriber of the Company which was transferred on the same date to Zeming International. Upon completion of such transfer, the entire issued share capital of our Company was owned by Zeming International.

*(7) Transfer of 2% of the registered capital of each of HC Mining and HC Environmental to HC Hong Kong*

On 8 January 2021, Mr. Liu transferred 20 shares of HC International, which represented 2% of the issued share capital of HC International in aggregate, to Mr. Sze and on 25 January 2021, Mr. Sze, as vendor, and HC Hong Kong, as purchaser, entered into two equity transfer agreements pursuant to which Mr. Sze transferred his interests held in each of HC Mining and HC Environmental, representing 2% of the registered capital of each of HC Mining and HC Environmental, respectively, to HC Hong Kong. The basis of the transfers were determined based on the 2% equity interest in HC Mining and HC Environmental held by Mr. Sze. Upon completion of such transfers, HC Mining and HC Environmental became indirect wholly owned subsidiaries of HC International, which were both held as to 98% by Shandong Jinjia and 2% by HC Hong Kong, and other subsidiaries now comprising the [REDACTED] Group were all wholly owned subsidiaries of HC International.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### *(8) Mr. Liu transfers his shares in HC International to the [REDACTED]*

On 25 February 2021, Mr. Liu, (as the seller), and each of Mr. Sze, Ace Quality, Golden Clover and Azure Astro, (as the buyers), (collectively referred to as “[REDACTED]”) entered into a sale and purchase agreement for the transfer of certain shares in HC International. Mr. Liu agreed to transfer 13 shares, 64 shares, 60 shares and 57 shares of HC International, (which represented 1.3%, 6.4%, 6.0% and 5.7% of the issued share capital of HC International respectively) to Mr. Sze, Ace Quality, Golden Clover and Azure Astro respectively at a consideration of approximately HK\$4.5 million, HK\$22.3 million, HK\$20.9 million and HK\$19.8 million respectively. The consideration for such transfers was determined based on commercial negotiations with reference to the net profit for the year ended 31 December 2019 and 2020 of the proposed [REDACTED] group and the corresponding price earning (“P/E”) ratio as well as other factors such as client network and management operation experience. For further details of the [REDACTED], see “— [REDACTED]” in this section.

### *(9) Transfer of the entire issued share capital of HC International to our Group*

On 15 April 2021, Mr. Liu, Mr. Sze, Ace Quality, Golden Clover, and Azure Astro, as the sellers, entered into a sale and purchase agreement with our Company, as the buyer, to transfer all their shares in HC International, representing the entire issued share capital of HC International, to our Company. In consideration of which, our Company credited one nil-paid Share as fully paid and further allotted and issued, credited as fully-paid, 785 Shares to Zeming International, 33 shares to Keen Day, 64 Shares to Ace Quality, 60 Shares to Golden Clover and 57 Shares to Azure Astro. Upon completion of such transfer, HC International became a direct wholly-owned subsidiary of our Company and the issued share capital of our Company became owned as to 78.6% by Zeming International, 3.3% by Keen Day, 6.4% by Ace Quality, 6.0% by Golden Clover and 5.7% by Azure Astro.

Our Directors have consulted with our PRC Legal Advisers in relation to the legal compliance of our Reorganisation in the context of PRC laws and regulations and our Directors confirmed that our Reorganisation is in compliance with the applicable PRC laws and regulations and has been legally properly and completed and settled in such context.

## PRC REGULATORY REQUIREMENTS

### **Circular 37**

According to Circular 37 and the Circular 13, domestic residents, including domestic individual residents, are required to file foreign exchange registration with qualified banks before contributing domestic or overseas lawful assets or equity interests in an offshore special purpose vehicle which is directly established or indirectly controlled by the domestic residents for the purpose of overseas investment and financing. In addition, in the event that any change of basic information (including domestic individual resident shareholder, name and operation term) or any change involving material events (including increase or decrease in investment amount, share transfer or exchange, or merger or division) arises in

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

respect of the registered offshore special purpose vehicle, the foreign exchange registration shall be updated. Each of Mr. Liu and other relevant domestic individual residents involved in the [REDACTED] has completed registration as required under Circular 37, respectively.

### M&A Rules

According to the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investor (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which was jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC, and the SAFE on 8 August 2006, and amended and came into effect by MOFCOM on 22 June 2009, “merger and acquisition of domestic enterprises by foreign investors” referred to in the M&A Rules shall mean any of the following where a foreign investor: (i) purchases the equity interest of a shareholder in a domestic non-foreign-invested enterprise (the “domestic enterprise”); (ii) subscribes for increased capital of a domestic enterprise so as to convert such domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases and operates the assets of a domestic enterprise by agreement; or (iv) purchases the assets of a domestic enterprise by agreement and then invests such assets to establish a foreign-invested enterprise and operates the assets.

According to Article 11 of the M&A Rules, the merger and acquisition of a domestic company with or by a domestic company, enterprise or individual, that has related party relationship with the target company, in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise or individual, shall be subject to examination and approval by MOFCOM. According to Article 39 and Article 40 of the M&A Rules, the overseas listing and transaction of a special purpose company as specified in Article 39.

As advised by our PRC Legal Advisers, in view of the fact that HC Mining and HC Environmental were foreign-invested enterprises when Shandong Jinjia acquired the shares of HC Mining and HC Environmental, the acquisition of HC Mining and HC Environmental by Shandong Jinjia did not apply to Article 11 of the M&A Rules and no approval from MOFCOM is required. At the same time, as our Company is not a special purpose company as specified in Article 39 of the M&A Rules, our PRC Legal Advisers are of the view that the [REDACTED] is not subject to approval by the CSRC.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

[REDACTED]

Prior to the [REDACTED] of our Group, Mr. Liu YS (the father of Mr. Liu) transferred certain of his equity interest in certain members of our Group to Mr. Sze in April 2020 and July 2020 (the “[REDACTED]”). Subsequently on 25 February 2021, Mr. Liu entered into agreements with the [REDACTED] to dispose certain of his shareholdings in our Group (the “[REDACTED]”).

[REDACTED]

On 10 April 2020 and 16 July 2020, Mr. Sze acquired interest of 2% of the registered capital in each of HC Mining and HC Environmental from Mr. Liu YS pursuant to two equity transfer agreements. For further details regarding these two equity transfer agreements, see “— Corporate Reorganisation — (2) Mr. Sze Acquired 2% Equity Interest in each of HC Mining and HC Environmental” above. The consideration of the [REDACTED] was duly transferred to Mr. Liu YS by Mr. Sze in full on 25 August 2020. As the [REDACTED] were transfers of existing equity interest between equity holders, our Group did not benefit from any new [REDACTED].

[REDACTED]

In August 2020, Mr. Liu and each of the [REDACTED] reached a preliminary understanding of the [REDACTED], in which the [REDACTED] intention to [REDACTED] has been confirmed. Due to Reorganisation, the [REDACTED] under the [REDACTED] was confirmed and documented by agreements dated 25 February 2021, pursuant to which Mr. Liu agreed to transfer 13 shares, 64 shares, 60 shares and 57 shares of HC International, which represented 1.3%, 6.4%, 6.0% and 5.7% of its issued share capital respectively, to Mr. Sze, Ace Quality, Golden Clover and Azure Astro respectively at a consideration of approximately HK\$4.5 million, HK\$22.3 million, HK\$20.9 million and HK\$19.8 million respectively. Such consideration was determined with reference to the net profit of our Group for the years ended 31 December 2019 and 2020 and the corresponding P/E ratio as well as other factors such as client network and management operation experience. As the [REDACTED] were transfers of existing equity interest between Mr. Liu and the [REDACTED], our Group did not benefit from any new [REDACTED].

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

A summary of the salient terms of the [REDACTED] and the [REDACTED] made by each of the [REDACTED] are set out below:

	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Name of [REDACTED]</b>	Mr. Sze and Keen Day	Mr. Sze and Keen Day	Mr. Cai QZ and Azure Astro	Mr. Cai YL and Golden Clover	Mr. Chi and Ace Quality
<b>Date of the agreement</b>	30 March 2020 and 19 June 2020	25 February 2021	25 February 2021	25 February 2021	25 February 2021
<b>Consideration paid</b>	HK\$0.9 million	HK\$4.5 million	HK\$19.8 million	HK\$20.9 million	HK\$22.3 million
<b>Basis of consideration</b>	The valuation reports prepared by an independent valuer for the net asset value of HC Mining as at 31 December 2019 and HC Environmental as at 31 January 2020, and the net asset value of HC Environmental as at 31 May 2020	Commercial negotiations with reference to the net profit for the year ended 31 December 2019 and 2020 of the proposed [REDACTED] group and the corresponding P/E ratio as well as other factors such as client network and management operation experience			
<b>Date on which the consideration was confirmed fully and irrevocably settled</b>	25 August 2020	25 February 2021	25 February 2021	25 February 2021	25 February 2021
<b>Number of Shares subscribed (and approximate percentage of shareholding) in our Company immediately before the [REDACTED] and [REDACTED]</b>	20 Shares (2.0%)	13 Shares (1.3%)	57 Shares (5.7%)	60 Shares (6.0%)	64 Shares (6.4%)
<b>Number of Shares (and approximate percentage of shareholding) in our Company immediately upon [REDACTED] <sup>(1)</sup></b>	[REDACTED] Shares [REDACTED]%	[REDACTED] Shares [REDACTED]%	[REDACTED] Shares [REDACTED]%	[REDACTED] Shares [REDACTED]%	[REDACTED] Shares [REDACTED]%
<b>[REDACTED] cost per Share</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Discount to the mid-point of the indicative [REDACTED] <sup>(2)</sup></b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Lock-up period</b>	Will not be subject to lock-up	Will not be subject to lock-up	Will not be subject to lock-up	Will not be subject to lock-up	Will not be subject to lock-up

*Notes:*

- (1) Based on the number of Shares held by each of the [REDACTED] and the total number of Shares in issue upon completion of the [REDACTED] and the [REDACTED], without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] (if any) and any options which may be granted under the Share Option Scheme.
- (2) Based on the [REDACTED] of [REDACTED] per Share (being the mid-point of the indicative [REDACTED] range).

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### **Special rights granted to the [REDACTED]**

No special rights were granted to any of the [REDACTED].

### **Guarantee**

No performance guarantee of our Group was granted by Mr. Liu or Mr. Liu YS to any of the [REDACTED].

### **[REDACTED] float**

In view of (i) each of the [REDACTED] is an Independent Third Party and independent among one another, and (ii) none of them will become a substantial Shareholder upon [REDACTED], the Shares held by each of the [REDACTED] immediately after the [REDACTED] will be considered as part of the [REDACTED] float for the purpose of Rule 8.08 of the Listing Rules.

### **Information about the [REDACTED]**

Ace Quality mainly engages in investment activities and is wholly-owned by Mr. Chi. Mr. Chi is a local resident in Laizhou city in Shandong, where our Group is headquartered. He is a personal friend of Mr. Liu who have known each other for over 20 years. Mr. Chi has investment experience in wireless communications and agricultural fertilisers. He is currently the general manager of a beverage business in Laizhou city. Being a local resident and businessman in Laizhou city, Mr. Chi has local connections and he occasionally recommends potential customers to our Group.

Keen Day mainly engages in investment activities and is wholly-owned by Mr. Sze. Mr. Sze was introduced to Mr. Liu and Mr. Liu YS through a mutual friend in 2019. As confirmed by Mr. Sze, he is interested in investing in waste management and recycling business as he considered the industry is in line with PRC national policy and will receive strong support. After knowing Mr. Liu’s business, in March 2020, Mr. Sze approached Mr. Liu YS, who was thinking of retirement at the time, and Mr. Sze and Mr. Liu YS eventually reached an agreement that Mr. Sze would purchase from Mr. Liu YS 2% of the registered capital in each of the operating subsidiaries of our Group and Mr. Liu would take up the remaining part of Mr. Liu YS’s equity interest. Subsequently in the [REDACTED], Mr. Sze reached an agreement with Mr. Liu to acquire further 1.3% shareholding in our Group. Mr. Sze is a Hong Kong businessman who has contacts in Hong Kong and China. He has experience in investment mainly involved in logistics business and real estate business. Mr. Liu believes Mr. Sze can introduce PRC and foreign investors and strategic partners to our Group.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

Azure Astro mainly engages in investment activities and is wholly-owned by Mr. Cai QZ. As confirmed by Mr. Cai QZ, he got acquainted with Mr. Liu around the end of 2018 through the introduction of a friend from the Overseas Chinese Chamber of Commerce. Mr. Cai QZ is a businessman who started businesses over 30 years ago and has engaged in a wide range of industries and has good social network resources, including areas in trading, production of building materials and automobile exhibitions and sales. With Mr. Cai QZ’s wealth of business experience and connection, Mr. Liu believes his investment in our Group can bring along valuable development and business opportunities.

Golden Clover mainly engages in investment activities and is wholly-owned by Mr. Cai YL. Mr. Cai YL is an experienced investor and he has previously engaged in various investments including solar panels equipment trading and art and culture businesses. As confirmed by Mr. Cai YL, he got acquainted with Mr. Liu around the end of 2019 through the introduction of a mutual friend. Mr. Cai YL foresaw our Group’s business prospects and future development and he decided to invest in our Group. Mr. Cai YL often travels between Hong Kong and the mainland to search for different investment opportunities, and his investments are distributed in China and Hong Kong.

### **Compliance with Interim Guidance and Guidance Letters on [REDACTED]**

After reviewing the terms of the [REDACTED], and given that (i) no special rights granted to the [REDACTED] will survive after the [REDACTED] in respect of the [REDACTED]; and (ii) the [REDACTED] were completed more than 28 clear days before the date of submission of the application for the [REDACTED], the Sole Sponsor confirms that the [REDACTED] are in compliance with the Guidance Letters HKEx-GL29-12 (January 2012) (updated in March 2017) and HKEx-GL43-12 (October 2012) (updated in July 2013 and March 2017).

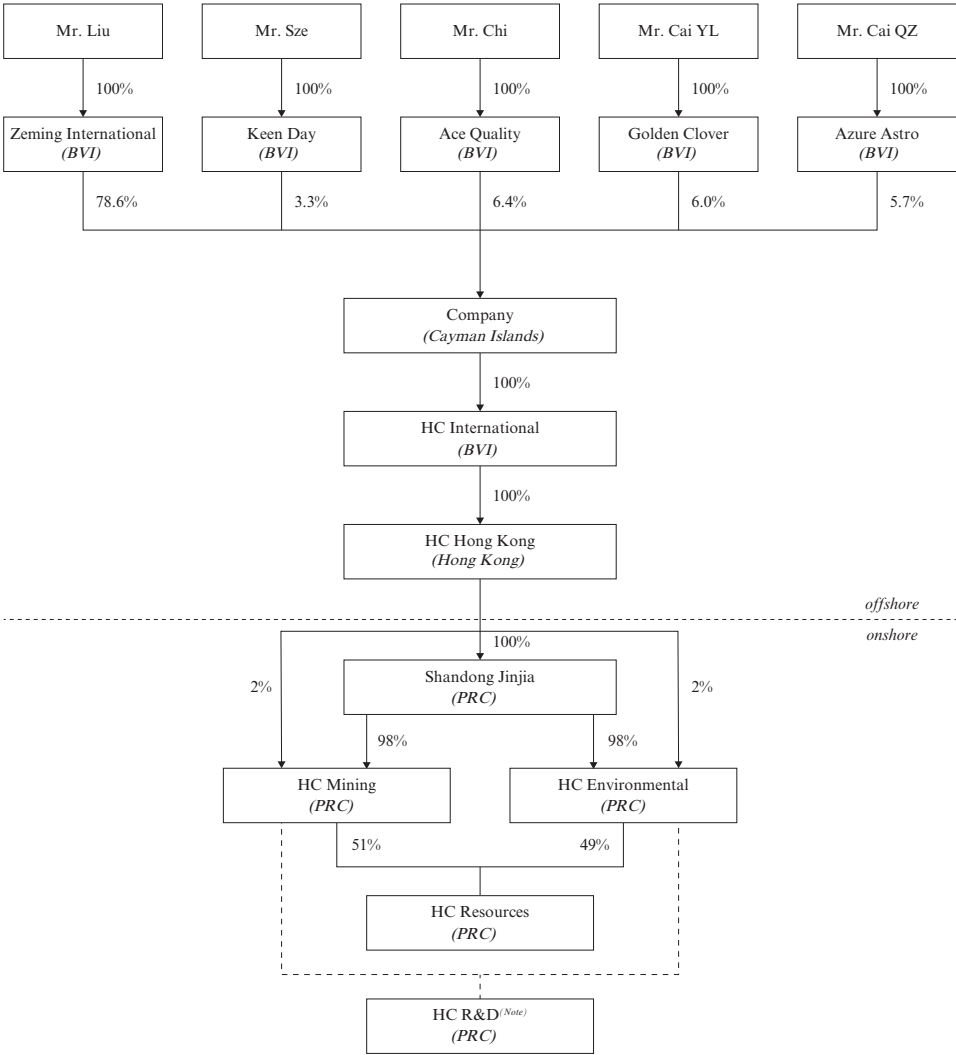


THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

**HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

**CORPORATE STRUCTURE**

The shareholding and corporate structure of our Group immediately following completion of the Reorganisation and prior to the [REDACTED] and the [REDACTED] is set out below:

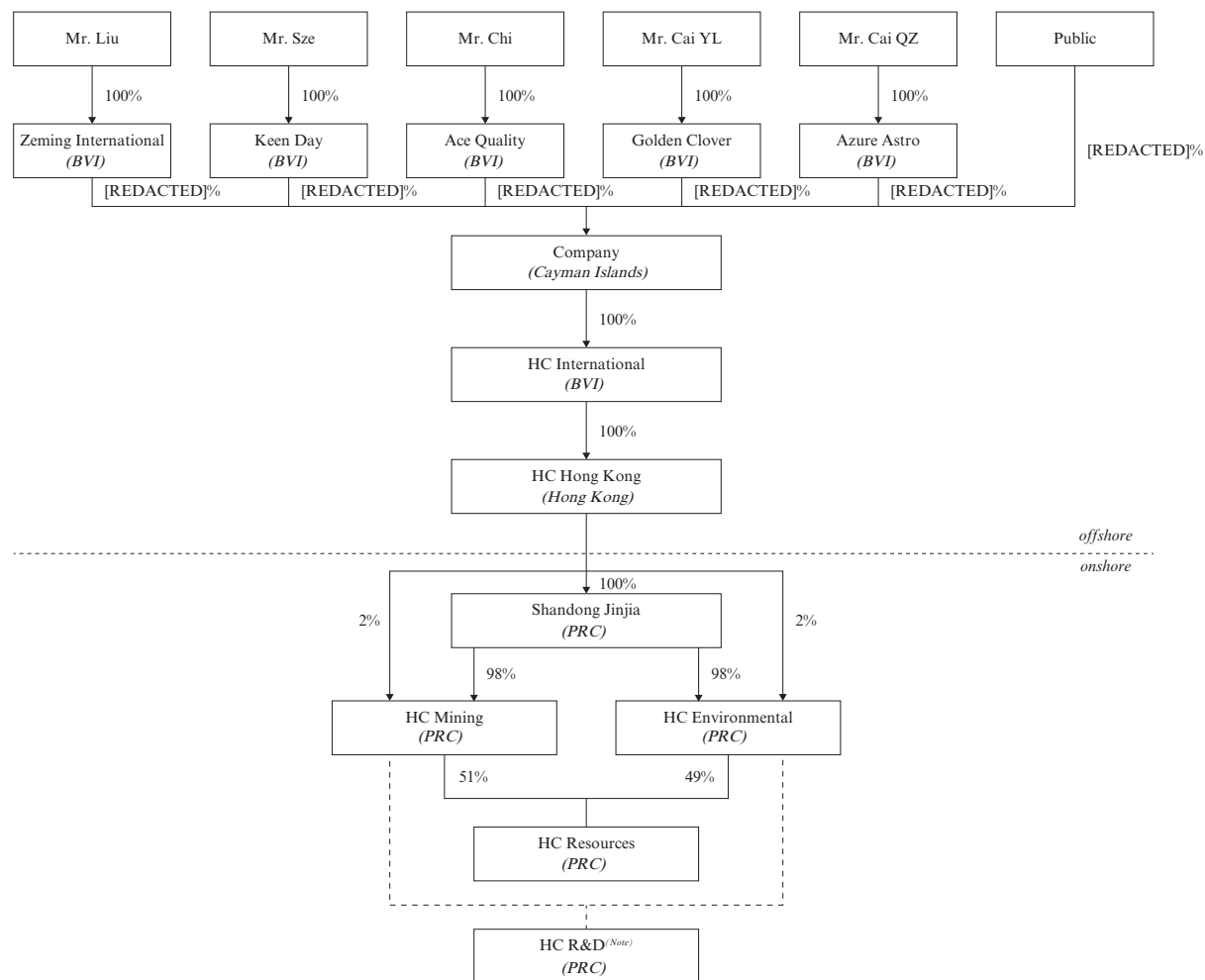


Note: HC R&D is a private non-enterprise entity (民辦非企業單位) established by HC Mining and HC Environmental.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] (if any) and any options which may be granted under the Share Option Scheme) is set out below:



Note: HC R&D is a private non-enterprise entity (民辦非企業單位) established by HC Mining and HC Environmental.