
SUMMARY

This summary aims to give you an overview of the information contained in this document. Because this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED].

Some of the particular risks in [REDACTED] in the [REDACTED] are set out in “Risk Factors”. You should read that section carefully before you decide to [REDACTED] in the [REDACTED]. Various expressions used in this section are defined in “Definitions” and “Glossary of Technical Terms”.

OVERVIEW

We are a gold mine hazardous waste treatment company based in Shandong province, the PRC, focusing on (i) gold mine hazardous waste treatment; and (ii) recycling and extracting therefrom resources with economic value for sale. According to the F&S Report, we are second and third largest gold mine hazardous waste treatment company in Shandong province and in the PRC, respectively, with a market share of approximately 15% and 10% in terms of revenue in 2020, respectively. We are also ranked first in gold mine hazardous waste treatment volume in Shandong province and the PRC, with actual treatment volume of approximately 1.08 million tonnes, accounting for approximately 26% and 18% of the total actual treatment volume in Shandong province and the PRC, respectively, in 2020.

Due to rich gold resources and the mature gold mining industry chain, the gold mine production in Shandong province ranked first in the PRC in 2020 according to the F&S Report. Further, our operation is situated in Laizhou city, which is a county-level city within Yantai prefecture-level city in Shandong province, where Laizhou city and Yantai city had proven gold reserves of approximately 2.7 thousand and 3.9 thousand tonnes. Yantai city accounted for approximately 93% of proven gold reserves of Shandong province in 2020, ranking first among prefecture-level cities in the proven gold reserves in the PRC. Such strategic location also led us to rank first and second in terms of treatment volume and revenue in Yantai city, respectively, in 2020, according to the F&S Report.

We have two production facilities strategically located in Laizhou city, Shandong province, where the gold reserves ranked first among the county-level cities in the PRC. The total site area of our production facilities is approximately 228,683 sq.m. and they process the gold mine hazardous wastes collected from our upstream customers and recycle them into recycled products for sale to our downstream customers. As at the Latest Practicable Date, we are the only company in Laizhou city, Shandong province that has obtained the Hazardous Waste Business Licence issued by Yantai Municipal Ecology and Environment Bureau (煙臺市生態環境局), and our business operation was not restricted from serving upstream customers in cities outside Laizhou city but within Shandong province.

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During the Track Record Period, our upstream customers for gold mine hazardous waste treatment services mainly comprised of gold smelting companies under gold mining companies with mine operations in Shandong province and in particular, in Yantai city, whilst our downstream customers for the sale of recycled products mainly comprised of chemical manufacturing companies and trading companies of chemicals in the PRC. We have developed and maintained strong and stable relationships with industry-renowned customers, such as Shandong Gold Smelting Co., Ltd (山東黃金冶煉有限公司) (a subsidiary of Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), whose shares are listed on the Main Board (stock code: 1787) and Shanghai Stock Exchange (stock code: 600547)) (“**Shandong Gold Smelting**”), Zhongkuang Gold Industry Company Limited (中礦金業股份有限公司) (“**Zhongkuang Gold**”), in the PRC.

During the Track Record Period, revenue from our gold mine hazardous waste treatment services and sale of recycled products has been our major revenue sources, which collectively accounted for approximately 96.5%, 88.3%, 92.8% and 92.9%, respectively, of our total revenue. Since November 2018, our Group also derived revenue from the hazardous waste storage rental services. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our total revenue amounted to approximately RMB102.3 million, RMB133.7 million, RMB205.4 million and RMB67.9 million, respectively. Our Group’s net profit increased from approximately RMB30.7 million for the year ended 31 December 2018 to approximately RMB48.5 million for the year ended 31 December 2019, and further increased to approximately RMB72.9 million for the year ended 31 December 2020. Our Group’s net profit increased from approximately RMB16.7 million for the four months ended 30 April 2020 to approximately RMB17.1 million for the same period in 2021.

The following table sets out our revenue by business activities during the Track Record Period:

	2018		Year ended 31 December				Four months ended 30 April			
	RMB'000	%	2019		2020		2020		2021	
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Gold mine hazardous waste treatment services	41,014	40.1	61,567	46.1	107,958	52.6	30,212	61.6	34,277	50.5
Sale of recycled products	57,642	56.4	56,413	42.2	82,514	40.2	13,636	27.8	28,805	42.4
Hazardous waste storage rental services	1,083	1.0	14,490	10.8	14,507	7.1	4,836	9.9	4,836	7.1
Others ^(Note)	2,542	2.5	1,194	0.9	413	0.1	346	0.7	—	—
Total	102,281	100.0	133,664	100.0	205,392	100.0	49,030	100.0	67,918	100.0

Note: Others represented revenue from the trading of recycled products, which mainly included desulphurisation gypsum, copper concentrate powders and waste rocks, that we procured from our suppliers during the Track Record Period. However, our Directors confirm that we are not actively pursuing and do not intend to pursue business opportunities in trading of recycled products actively, as these trading activities were conducted only for maintaining good business relationship with our customers and suppliers. See “Business — Our Business Model — Our Products” in this document for further details.

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According to the F&S Report, gold production from gold mines in Shandong province and China declined from 62.2 tonnes and 379.4 tonnes in 2015 to 57.6 tonnes and 303.7 tonnes in 2020, representing a CAGR of -1.5% and -4.5% , respectively, which was mainly due to the stricter safety and environmental policies in the PRC and the COVID-19 impact. Gold production from gold mines is expected to increase gradually and reach 62.1 tonnes in Shandong province and 339.0 tonnes in China in 2025, representing a CAGR of 1.5% and 2.4% from 2020 to 2025, respectively, which is mainly driven by the increasing gold demand, rising gold price, technology advances and completion of safety and environmental protection rectification. Yantai city of Shandong province is the prefecture-level city with the largest gold production volume in the PRC, with approximately 50 tonnes of gold production volume in 2020, accounting for approximately 17% and 83% of total gold production volume in the PRC and Shandong province, respectively. Accordingly, the gold mine hazardous waste treatment market in the PRC, particularly in Shandong province and Yantai city, is expected to grow due to increasing output rate of gold mine hazardous waste, increasing utilisation value through technology improvement, more utilise channels and stricter requirements and enforcement of environmental policies. For details, see “Industry Overview — Drivers of Gold Mine Hazardous Waste Market in China”.

We believe that by leveraging on the industry expertise and technical know-how that we possess, together with the growth of the gold mining industry and support of favourable government policies, we are well-positioned to capture more business opportunities from gold mining companies, chemical manufacturing companies and trading companies of chemicals in the PRC. As such, we plan to expand our production capacity, enhance our production capabilities on diversifying products offerings and strengthen research and development ability to capitalise on the growing demand of gold mine hazardous waste treatment services and recycled products.

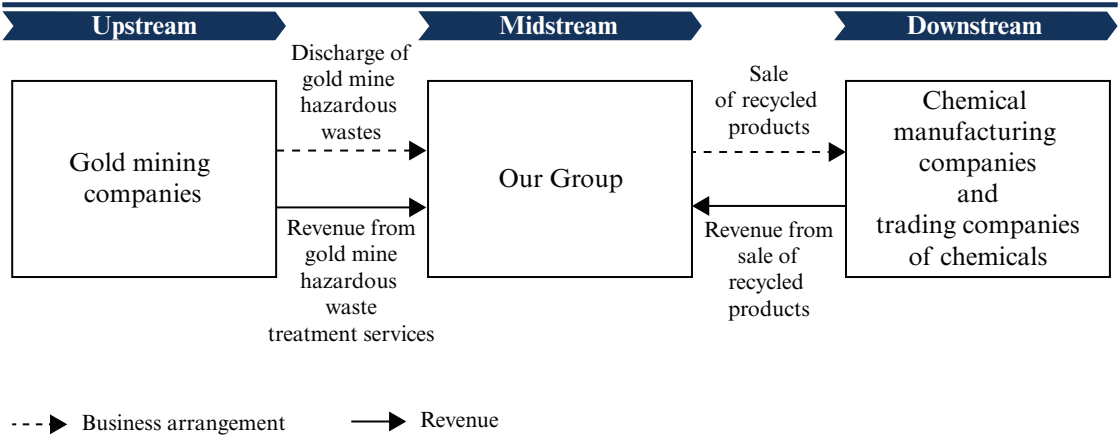
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OUR BUSINESS MODEL

During the Track Record Period, our upstream customers mainly engaged us to provide treatment services for cyanide tailings, which is a kind of gold mine hazardous waste resulting from smelting of gold. These cyanide tailings consist of cyanide, which is one of the only few chemical reagents that will dissolve gold in water. Cyanide is a toxic substance and can be lethal if ingested or inhaled in sufficient amounts. Gold mining companies employ stringent risk management systems to prevent injury or damage from the use of cyanide. Cyanide in mining solutions is collected, either be recycled or disposed, after gold is removed. Due to the restrictions on technical expertise and cost consideration, gold smelting companies of gold mining companies engage gold mine hazardous waste treatment companies, like us, to collect the cyanide tailings from them and pay the corresponding treatment fee.

In our operation process, we are capable of detoxifying the gold mine hazardous wastes. Further, we are able to extract resources with economic value from gold mine hazardous wastes, and pyrite concentrate and gold-bearing pyrite concentrate are the major recycled products extracted, which can be used for the production of sulphur and sulphuric acid that can be applied in various industrial process. We usually sell our recycled products to our downstream customers which are chemical manufacturing companies and trading companies of chemicals.

The following diagram shows our business activities in gold mine hazardous waste treatment services and sale of recycled products during the Track Record Period:



In addition, during the Track Record Period, our Group has provided hazardous waste storage rental service to one customer. For further details, see “Business — Our Business Model — Our Rental Services for Storage of Hazardous Wastes” in this document.

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OUR COMPETITIVE STRENGTHS

We believe that our success can be attributed to the following competitive strengths:

- we are one of the leading gold mine hazardous waste treatment companies in Shandong province, the PRC;
- we are situated in Yantai city, one of the areas with the largest production of gold in the PRC and in Shandong province with the largest gold reserves among prefecture-level cities in the PRC;
- we have proven track record with stable relationship and maintain a strong customer base;
- we possess strong technical capabilities in the gold mine hazardous waste treatment process and production of recycled products; and
- we have an experienced and professional management team.

OUR BUSINESS STRATEGIES AND USE OF [REDACTED]

As the utilisation rates of our two existing production facilities in Jincheng town and Shahe town in Laizhou city were approximately 95% and 92%, respectively, for the year ended 31 December 2020, our Directors consider that we can only capture the business opportunities arising from the growing demand of the gold mine hazardous waste treatment services in the coming years and solidify our leading market position in Shandong province by building a new production facility (the “**New Production Facility**”), which we intend to:

- increase our production capacity and capabilities to solidify our market position; and
- strengthen our research and development capabilities to improve our efficiency on treatment services, and diversify our product offerings.

It is planned that the construction of the New Production Facility will be completed by the end of the first quarter of 2023 in two phases, which Phase One Production Compartment, being the first phase comprising the construction of the production compartment for gold mine hazardous waste treatment and the new research and development laboratory, and Phase Two Production Compartment, being the second phase comprising the construction of the production compartment for production of recycled products including construction aggregates.

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We estimate that the net [REDACTED] we will receive from the [REDACTED] (after deducting [REDACTED] commissions, fees and anticipated expenses payable by us in connection with the [REDACTED]) will be approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), assuming the [REDACTED] is not exercised and an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share as stated in this document. We intend to use the net [REDACTED] we receive from the [REDACTED] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

Use of [REDACTED]	% of the net [REDACTED]	HK\$ million	Equivalent to RMB million
<ul style="list-style-type: none"> ● build the New Production Facility, comprising two production compartments, with a permitted annual treatment capacity of 600,000 tonnes, and diversification of our product offerings, among which: <ul style="list-style-type: none"> (a) acquire the land use rights for a parcel of land of approximately 166,500 sq.m. for the construction (b) construct the New Production Facility (c) acquire machinery and equipment (d) expand our production team ● strengthen our research and development capabilities to enhance existing products and diversify our product offering ● general working capital 	<p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p>	<p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p>	<p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p> <p style="text-align: center;">[REDACTED]</p>

For further details, see “Future Plans and Use of [REDACTED] — Use of [REDACTED]” in this document.

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PRODUCTION FACILITIES AND UTILISATION RATES

Our two production facilities, with a total site area of approximately 228,683 sq.m., are located in Laizhou city, Shandong province, the PRC. Our production facilities are located in Jincheng town and Shahe town in Laizhou city, with aggregate gross floor areas of approximately 15,407 sq.m. and 143,607 sq.m., respectively. For further details, see “Business — Properties” in this document. Our production facilities comprised warehouses, production compartments, office buildings and dormitory. As at the Latest Practicable Date, our production facilities are equipped with our major production machinery and equipment, including but not limited to ore feeders, scrapers, rotary screening machine, activities tanks, flotation tanks and excavators. For the year ended 31 December 2020, the utilisation rates (representing the percentage of actual annual treatment volume over the permitted annual treatment volume pursuant to the Hazardous Waste Business Licence) of each of our production facility in Jincheng town and Shahe town, Laizhou city, were approximately 95% and 92%, respectively. For the eight months ended 31 August 2021, the utilisation rates (illustrated by the permitted treatment capacity on pro-rata basis) of each of our production facility in Jincheng town and Shahe town, Laizhou city, reached approximately 80% and 88%, respectively. For further details, see “Business — Our Production Facilities — Production Capacity and Utilisation Rate” in this document.

MAJOR CUSTOMERS AND SUPPLIERS

Major customers

Our customers for the gold mine hazardous waste treatment services are mainly gold smelting companies of gold mining companies with gold mine operations in Shandong province and in particular, in Yantai city, while our customers for the sale of recycled products are mainly chemical manufacturing companies and trading companies of chemicals in the PRC. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our five largest customers accounted for approximately 69.8%, 67.3%, 71.8% and 82.1% of our total revenue, respectively. During the same periods, our largest customer accounted for approximately 22.6%, 21.4%, 27.3% and 24.1% of our total revenue, respectively. During the Track Record Period, we had eight upstream customers who have engaged our Group for the gold mine hazardous waste treatment services, and over 45 downstream customers who have purchased recycled products from us.

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Major suppliers

During the Track Record Period, suppliers of goods and services to our Group mainly included: (i) transportation companies; (ii) suppliers of consumables such as xanthate and sodium sulphide; (iii) supplier of electricity and water; and (iv) suppliers for other services such as laboratory testing. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our five largest suppliers accounted for approximately 50.2%, 66.2%, 54.1% and 51.5% of our total cost of sales, respectively. During the same periods, our largest supplier accounted for approximately 18.1%, 25.3%, 18.9% and 15.4% of our total cost of sales, respectively.

Pricing policy

For our gold mine hazardous waste treatment services, we adopt a cost-plus model where we determine the service fee by taking into account various factors such as the grade and type of the gold mine hazardous waste to be treated, the estimated transportation costs, customer relationships, competitive landscape, market circumstances and our business strategies adopted from time to time. Our products are generally not subject to any price control or regulations by the PRC governmental authorities. Generally, we adopt a cost-plus model where we determine the price of our products by taking into account various factors such as the cost of consumables, customer relationships, competitive landscape, market circumstances (including the prevailing market price of sulphur, iron and sulphuric acid) and our business strategies adopted from time to time.

MAJOR COST COMPONENTS

During the Track Record Period, our cost of sales primarily include (i) cost of raw materials; (ii) transportation costs; (iii) depreciation of property, plant and equipment related to our production; (iv) direct labour cost; (v) consumables cost; and (vi) manufacturing overhead which mainly included electricity and water, fuel, repair and maintenance and production safety cost. Our cost of sales amounted to approximately RMB44.6 million, RMB51.5 million, RMB81.5 million and RMB27.2 million, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. The fluctuation in our cost of sales during the Track Record Period were generally in line with our fluctuation in revenue for the same period. See “Financial Information — Description of Selected Items in the Consolidated Statements of Comprehensive Income — Cost of Sales” of this document for further details.

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MARKET AND COMPETITION

According to the F&S Report, the gold mine hazardous waste treatment market in the PRC and Shandong province is concentrated. In 2020, the top five market participants in the PRC took up a market share of approximately 67% in terms of revenue, and we are ranked third in terms of revenue representing a market share of approximately 10%. Due to its rich gold resources and mature gold mining industry chain, the gold mine production in Shandong province reached approximately 57.6 tonnes in 2020, ranking first in the PRC and accounting for approximately 19.1% of the total gold mine production in the PRC, according to the F&S Report. Laizhou city, Shandong province is also rich in natural resources, among which its gold reserves is ranked first with proven gold reserves of around 2.7 thousand tonnes among the county-level cities in the PRC. Laizhou city, being a county-level city in Yantai city of Shandong province, also benefited from the high level of gold resources in Yantai city. According to the F&S Report, Yantai city accounted for approximately 93% of proven gold reserves of Shandong province in 2020, ranking first among all prefecture-level cities in terms of proven gold reserves in the PRC. Yantai city is also the prefecture-level city with the largest gold production in the PRC, with approximately 50 tonnes of gold production volume in 2020, accounting for approximately 17% and 83% of total gold production volume in the PRC and Shandong province, respectively.

The distribution of gold mine hazardous waste treatment company follows the gold producers and has a strong regional characteristics. As a gold mine hazardous waste treatment company located in Laizhou city, Shandong province, according to the F&S Report, we are ranked first in gold mine hazardous waste treatment volume in Shandong province and the PRC, with treatment volume of approximately 1.08 million tonnes, accounting for approximately 26% and 18% of the total treatment volume in Shandong province and the PRC, respectively, in 2020. Further, the treatment volume of gold mine hazardous waste in Yantai city amounted to approximately 3.5 million tonnes in 2020, and our Group accounted for approximately 31% of market share in Yantai city in terms of treatment volume of gold mine hazardous waste in 2020, ranking first in terms of treatment volume in Yantai city in 2020. In 2020, the revenue of gold mine hazardous waste treatment market in Yantai city contributed approximately 87% of total revenue in Shandong province, and we ranked second in terms of revenue in gold mine hazardous waste treatment market Yantai city in 2020, according to the F&S Report.

Subject to increasingly strict environmental policies and initiatives in the PRC, including gold extraction with more environmentally-friendly methods, it is considered that gold extraction by cyanidation is a mature, low-cost, high-recovery gold extraction process, and is the most widely used process in gold production in the PRC and worldwide. More environmentally-friendly gold extraction method generally does not change the process of gold extraction by cyanidation, but uses low-toxic beneficiation agents to replace traditional sodium cyanate. The penetration rate of these low-toxic beneficiation agents is lower than 5% in gold production market. The application of these beneficiation agents are not mature yet, and are still at the stage of market introduction and customer cultivation. According to the F&S Report, gold extraction by cyanidation will not be eliminated in the foreseeable future.

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RISK FACTORS

Our business and the [REDACTED] involve certain risks, which are set out in “Risk Factors” in this document. You should read that section in its entirety before you decide to [REDACTED] in the [REDACTED]. Some of the major risks we face include:

- the development of the industry we operate in is highly dependent on the PRC government’s environmental protection policies, relevant laws and regulations, which may change from time to time;
- we are exposed to environmental compliance risks due to the nature of our operations;
- we have a concentration of customers during the Track Record Period, which may cause our business to be materially and adversely affected;
- we engaged transportation companies which did not fully comply with the applicable PRC laws and regulations during the Track Record Period and may face investigation, prosecution, administrative penalties and other administrative measures by the relevant authorities; and
- we cannot assure you that we can secure our existing hazardous waste storage rental agreements. Early termination of the two hazardous waste storage rental agreements with our customer may lead to a material adverse effect on our business operation, financial position and results of operations.

RESEARCH AND DEVELOPMENT

We believe that we possess experience and knowledge, research and development capabilities and hazardous waste treatment technologies. Our research and development team is led by Mr. Sheng, our executive Director and chief technical officer, who has more than 29 years of experience in chemical related industry. As at the Latest Practicable Date, we had registered, obtained governmental approvals or applied various patents in the PRC. For details of our research and development, see “Business — Research and Development” in this document.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and [REDACTED] without taking account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the options which were granted or may be granted under the Share Option Scheme, we will be owned as to approximately [REDACTED]% by Zeming International, an investment holding company and is wholly-owned by Mr. Liu. For the purpose of the Listing Rules, Zeming International and Mr. Liu are our Controlling Shareholders. As at the Latest Practicable Date, none of our Controlling Shareholders and his/its respective close associates had any other company or business that competes with or is likely to compete, directly or indirectly, with our business. See “Relationship with our Controlling Shareholders” in this document for further details.

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[REDACTED]

We undertook [REDACTED] in preparation for the [REDACTED]. Immediately following completion at 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), the issued share capital of our Company is owned as to the [REDACTED], namely, [REDACTED]% by Mr. Sze (through his shareholding in Keen Day), [REDACTED]% by Mr. Chi (through his shareholding in Ace Quality), [REDACTED]% by Mr. Cai YL (through his shareholding in Golden Clover) and [REDACTED]% by Mr. Cai QZ (through his shareholding in Azure Astro). See “History, Reorganisation and Corporate Structure — [REDACTED]” in the document for further details.

KEY FINANCIAL INFORMATION

The following tables set forth the selected financial and operating data from our consolidated financial information for the years/periods indicated below. For more details on the financial information, see “Financial Information” and the Accountant’s Report in Appendix I to this document.

Consolidated Statements of Comprehensive Income

	Year ended 31 December			Four months ended	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				30 April	
				(unaudited)	
Revenue	102,281	133,664	205,392	49,030	67,918
Cost of sales	(44,562)	(51,479)	(81,498)	(20,194)	(27,163)
Gross profit	57,719	82,185	123,894	28,836	40,755
Other income	—	6,463	5,187	1,941	64
Other gains/(losses) — net	77	(240)	412	174	(299)
Reversal/(provision) of impairment on financial assets	22	93	(113)	(27)	41
Selling expenses	(5,972)	(2,518)	(2,886)	(887)	(917)
Administrative expenses	(8,700)	(17,347)	(23,962)	(5,702)	(13,048)
Operating profit	43,146	68,636	102,532	24,335	26,596
Finance income	113	175	40	2	26
Finance costs	(3,023)	(5,398)	(6,083)	(2,005)	(2,051)
Finance costs — net	(2,910)	(5,223)	(6,043)	(2,003)	(2,025)
Profit before income tax	40,236	63,413	96,489	22,332	24,571
Income tax expense	(9,540)	(14,936)	(23,624)	(5,593)	(7,444)
Profit for the year/period	<u>30,696</u>	<u>48,477</u>	<u>72,865</u>	<u>16,739</u>	<u>17,127</u>

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Non-IFRS Measures⁽¹⁾

The following table sets forth the adjusted profit and adjusted net profit margin in each respective year/period during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year/period	30,696	48,477	72,865	16,739	17,127
Add: [REDACTED]	—	—	[REDACTED]	—	[REDACTED]
Adjusted profit for the year/period <i>(unaudited)</i> ⁽²⁾	<u>30,696</u>	<u>48,477</u>	<u>[REDACTED]</u>	<u>16,739</u>	<u>[REDACTED]</u>
Adjusted net profit margin <i>(unaudited)</i> ⁽³⁾	30.0%	36.3%	37.7%	34.1%	32.5%

Notes:

- (1) To supplement our consolidated financial statements which are presented in accordance with IFRS, we also presented adjusted profit and adjusted net profit margin as non-IFRS financial measures which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS financial measures when shown in conjunction with the corresponding IFRS financial measures provides useful information to potential [REDACTED] and management in understanding and evaluating our operating performance from period to period by eliminating potential impact of non-recurring item that does not affect our ongoing operating performance.
- (2) We calculated the adjusted profit for the year/period by adding back the [REDACTED] expenses to the profit for the year/period as presented in accordance with IFRS.
- (3) We calculated the adjusted net profit margin by dividing adjusted net profit for the year/period by revenue for the year/period end and multiplied by 100%.

Our revenue increased by approximately RMB31.4 million or 30.7% from approximately RMB102.3 million for the year ended 31 December 2018 to approximately RMB133.7 million for the year ended 31 December 2019, and further increased by approximately RMB71.7 million or 53.6% to approximately RMB205.4 million for the year ended 31 December 2020. Such overall increasing trend was mainly attributable to (i) the increase in revenue from gold mine hazardous waste treatment services and sale of recycled products due to the increase in permitted treatment volume and production capacity as a result of our business expansion driven by the completion of our second production facility in Shahe town, Laizhou city, which commenced trial operation in October 2019; and (ii) the full year rental services for hazardous waste storage services for the year of 2019 and 2020.

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Our Group’s revenue increased by approximately RMB18.9 million or 38.6% from approximately RMB49.0 million for the four months ended 30 April 2020 to approximately RMB67.9 million for the four months ended 30 April 2021, mainly attributable to (i) increased sale of recycled products due to the increase in the number of downstream customers with increased sale volume during the four months ended 30 April 2021 as compared to the four months ended 30 April 2020; and (ii) increase in revenue from our gold mine hazardous waste treatment services as a result of increased average treatment fee per tonne for the four months ended 30 April 2021. Our Group did not generate revenue from the trading of recycled products for the four months ended 30 April 2021 as we have focused on the development of our main business activities of gold mine hazardous waste services and sale of recycled products. Our Directors confirm that we are not actively pursuing and do not intend to pursue business opportunities in trading business.

Our net profit increased by approximately RMB17.8 million or 57.9% from RMB30.7 million for the year ended 31 December 2018 to approximately RMB48.5 million for the year ended 31 December 2019, and further increased by approximately RMB24.4 million or 50.3% to approximately RMB72.9 million for the year ended 31 December 2020, mainly due to (i) the full year rental income for hazardous waste storage services for the years of 2019 and 2020; and (ii) the recognition of interest income for an interest-bearing loan offered to Zhonglian Cement, a company controlled by our Controlling Shareholder, for the years of 2019 and 2020, which is non-recurring in nature, while partially offset by the increase of our net finance costs during the Track Record Period. Our net profit increased by approximately RMB0.4 million or 2.4% from approximately RMB16.7 million for the four months ended 30 April 2020 to approximately RMB17.1 million for the four months ended 30 April 2021, which was mainly due to an increase in revenue and gross profit during the period and partially offset by (i) decrease in interest income from Zhonglian Cement as such loan to Zhonglian Cement was non-interest bearing in 2021 and for the four months ended 30 April 2021; (ii) increase of our administrative expenses primarily due to the increase of [REDACTED] expenses and professional and consultation fee; and (iii) increase in income tax expenses.

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Gross profit and gross profit margin

The following table sets forth an analysis of our gross profit and gross profit margin by business activities during the Track Record Period:

	Year ended 31 December									Four months ended 30 April					
	2018			2019			2020			2020			2021		
	Gross profit		Gross profit margin	Gross profit		Gross profit margin	Gross profit		Gross profit margin	Gross profit		Gross profit margin	Gross profit		Gross profit margin
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
	(unaudited)														
Gold mine hazardous waste treatment services	28,619	49.6	69.8	42,591	51.8	69.2	76,311	61.6	70.7	20,214	70.1	66.9	23,387	57.4	68.2
Sale of recycled products	28,735	49.8	49.9	28,389	34.5	50.3	37,439	30.2	45.4	5,229	18.1	38.3	13,994	34.3	48.6
Hazardous waste storage rental services	291	0.5	26.9	11,081	13.5	76.5	10,121	8.2	69.8	3,374	11.7	69.8	3,374	8.3	69.8
Others	74	0.1	3.0	124	0.2	10.4	23	—	(Note) 5.6	19	0.1	5.6	—	—	—
Total/overall	57,719	100.0	56.4	82,185	100.0	61.5	123,894	100.0	60.3	28,836	100.0	58.8	40,755	100.0	60.0

Note: The percentage figure is less than 0.1%.

Our total gross profit increased by approximately RMB24.5 million or 42.5% from approximately RMB57.7 million for the year ended 31 December 2018 to approximately RMB82.2 million for the year ended 31 December 2019 and further increased by approximately RMB41.7 million or 50.7% to approximately RMB123.9 million for the year ended 31 December 2020, and increased by approximately RMB12.0 million or 41.7% from approximately RMB28.8 million for the four months ended 30 April 2020 to approximately RMB40.8 million for the four months ended 30 April 2021. Such increase was generally in line with the increase of our total revenue as a result of our business expansion.

Our overall gross profit margin increased from approximately 56.4% for the year ended 31 December 2018 to approximately 61.5% for the year ended 31 December 2019 mainly attributable to (i) the slight increase of gross profit contribution from our hazardous waste treatment services, which has a relatively higher gross profit margin of approximately 69.2% for the year ended 31 December 2019 as compared to that of sale of recycled products of approximately 50.3% for the same period; and (ii) the increase of gross profit contribution from our hazardous waste storage rental services with significant improvement of gross profit margin from approximately 26.9% for the year ended 31 December 2018 to approximately 76.5% for the year ended 31 December 2019.

SUMMARY

We recorded a relatively lower gross profit margin of hazardous waste storage rental services of approximately 26.9% for the year ended 31 December 2018 because we incurred depreciation expenses since September 2018 marking the completion of the construction of one of our two warehouses and storage facilities, before the commencement of lease arrangements and the recognition of relevant rental income in November 2018. The construction work of our another warehouse and storage facilities was completed in 2019 and upon the full year of our hazardous waste storage rental services in 2019, the relevant gross profit margin increased to approximately 76.5% for the year ended 31 December 2019. Our overall gross profit margin for the year ended 31 December 2020 was approximately 60.3%, which was relatively stable as compared to that of approximately 61.5% for the year ended 31 December 2019.

The increase of our overall gross profit margin from approximately 58.8% for the four months ended 30 April 2020 to approximately 60.0% for the four months ended 30 April 2021, was mainly attributable to (i) improvement of gross profit margin for sale of recycled products from approximately 38.3% for the four months ended 30 April 2020 to approximately 48.6% for the four months ended 30 April 2021, and the relevant gross profit contribution increased from approximately 18.1% to 34.3% for the corresponding periods; and (ii) the slight increase of gross profit margin for gold mine hazardous waste treatment services from approximately 66.9% for the four months ended 30 April 2020 to approximately 68.2% for the four months ended 30 April 2021.

For a more detailed discussion, see “Financial Information” in this document.

Selected Consolidated Statements of Financial Position

	As at 31 December			As at
	2018	2019	2020	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	167,267	302,244	296,470	294,970
Total current assets	144,483	179,471	138,036	131,928
Total non-current liabilities	60,424	147,687	200,121	196,054
Total current liabilities	233,433	267,658	128,261	107,593
Net current (liabilities)/assets	(88,950)	(88,187)	9,775	24,335
Total equity	17,893	66,370	106,124	123,251

SUMMARY

Net Current Liabilities/Assets

We had net current liabilities of approximately RMB89.0 million and RMB88.2 million as at 31 December 2018 and 2019, respectively. Our net current liabilities as at 31 December 2018 and 2019 was primarily attributable to a relatively higher balance of payables for construction costs and purchases of property, plant and equipment for our production facility in Shahe town, Laizhou city, of approximately RMB90.8 million and RMB148.9 million, respectively, as at 31 December 2018 and 2019, while the corresponding capital expenditure was recorded under our non-current assets.

We had net current assets of approximately RMB9.8 million as at 31 December 2020. The change of net current liabilities position of approximately RMB88.2 million as at 31 December 2019 to net current assets position of approximately RMB9.8 million as at 31 December 2020 is because we continuously generated cash from our operations and by replacing short-term borrowings with long-term borrowings while partially offset by the substantial settlement of payables for construction costs and purchases of property, plant and equipment during the year ended 31 December 2020.

As at 30 April 2021, our Group had net current assets of approximately RMB24.3 million, representing an increase of approximately RMB14.5 million or 148.0% as compared to 31 December 2020, which was attributed to (i) our business growth and cash generated from our operation for the four months ended 30 April 2021; (ii) decrease in other liabilities which mainly represented the decrease in the retention payable for construction works of approximately RMB10.8 million upon the expiry of warranty period; and (iii) repayments from amounts due from related parties of approximately RMB8.5 million. In addition, the increase of cash and cash equivalents generated from our operations was partially offset by the increase in current income tax liabilities of approximately RMB0.7 million and decrease in dividend payable and amounts due to our Controlling Shareholder of RMB11.6 million and approximately RMB8.2 million, respectively.

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SUMMARY

Selected Consolidated Statements of Cash Flows

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Operating cash flows before movements					
in working capital	47,107	77,481	116,152	28,757	31,723
Changes in working capital	43,428	38,025	(36,023)	(12,844)	18,029
Interest received	113	175	40	2	26
Interest paid and tax paid	<u>(6,422)</u>	<u>(15,320)</u>	<u>(12,630)</u>	<u>(1,770)</u>	<u>(7,165)</u>
Net cash generated from operating activities	84,226	100,361	67,539	14,145	42,613
Net cash used in investing activities	(103,841)	(124,687)	(59,148)	(14,763)	(9,860)
Net cash generated from/(used in) financing activities	<u>23,913</u>	<u>14,305</u>	<u>34,973</u>	<u>4,124</u>	<u>(22,197)</u>
Net increase/(decrease) in cash and cash equivalents	4,298	(10,021)	43,364	3,506	10,556
Cash and cash equivalents at beginning of year/period	7,779	12,077	2,056	2,056	45,363
Effect of exchange rate changes on cash and cash equivalents	<u>—</u>	<u>—</u>	<u>(57)</u>	<u>—</u>	<u>(73)</u>
Cash and cash equivalents at end of year/period	<u><u>12,077</u></u>	<u><u>2,056</u></u>	<u><u>45,363</u></u>	<u><u>5,562</u></u>	<u><u>55,846</u></u>

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SUMMARY

Key Financial Ratios

	Year ended 31 December			Four months ended
	2018	2019	2020	30 April 2021
Return on equity	171.6%	73.0%	68.7%	N/A
Return on total assets	9.8%	10.1%	16.8%	N/A
Interest coverage	14.3 times	12.7 times	16.9 times	13.0 times

	As at 31 December			As at
	2018	2019	2020	30 April 2021
Current ratio	0.6 times	0.7 times	1.1 times	1.2 times
Quick ratio	0.6 times	0.6 times	0.9 times	1.0 times
Gearing ratio ⁽¹⁾	683.0%	218.7%	136.0%	110.6%
Net debt to equity ratio	615.5%	215.6%	93.2%	65.3%

Notes:

- (1) Gearing ratio was calculated based on total debts divided by total equity as at the respective year/period end and multiplied by 100%. Debts are defined as payables incurred not in the ordinary course of business, including bank borrowings, lease liabilities, amount due to our Controlling Shareholder and other liabilities in relation to our rental arrangement.
- (2) For the calculation of the other key financial ratio, see “Financial Information — Key Financial Ratios” to this document.

SUMMARY

ACCUMULATED LOSSES AS AT 1 JANUARY 2018

Our Group recorded accumulated loss of approximately RMB18.1 million as at 1 January 2018. Our Directors consider that such accumulated losses as at 1 January 2018 mainly arose from the prior years’ operating loss due to a relatively smaller scale of operation, and we had made substantial investment and incurred significant costs and expenses in relation to the construction of our first production facility in Jincheng town, Laizhou city in prior years, such as depreciation and finance costs. Our Group is able to generate operating profit from 2018 and onward, primarily attributable to the increasingly stricter environmental protection policies imposed by the PRC government in the recent years (such as cyanide leaching residue, including gold concentrates cyaniding tailings was listed on the Directory of National Hazardous Wastes (國家危廢名錄) as hazardous waste in 2016 and the implementation of environmental protection tax for hazardous waste which come to effect on 1 January 2018) leading to the significant growth of the gold mine hazardous waste treatment market. As a result, our financial performance has greatly improved during the Track Record Period, primarily attributable to (i) increased demand for our gold mine hazardous waste treatment services from upstream customers; and (ii) increased demand for our recycled products from downstream customers. As an indication for our improved financial performance, we recorded retained earnings of approximately RMB10.2 million, RMB54.2 million, RMB63.2 million and RMB80.3 million as at 31 December 2018, 2019 and 2020 and 30 April 2021, respectively. See “Financial Information — Accumulated Losses as at 1 January 2018” of this document for further details.

DIVIDENDS

On 20 January 2020, our subsidiary declared dividends in the total amount of RMB58.0 million to the then shareholders. In December 2020, dividend payment of RMB5.8 million was offset with the amount due from Zhonglian Cement pursuant to an offsetting agreement between the parties. In February and April 2021, dividend payable of RMB11.6 million was fully settled by cash. As at 30 April 2021, the total dividend payable was RMB40.6 million which had been fully settled with our own internal resources as at the Latest Practicable Date.

SUMMARY

We do not have a pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our Shareholders in a Shareholders’ meeting. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders’ interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Companies Act. Historical dividend distributions are not indicative of our future dividend distribution. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

[REDACTED] STATISTICS

	Based on an [REDACTED] of [REDACTED]	Based on an [REDACTED] of [REDACTED]
[REDACTED] of the Shares ⁽¹⁾ Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Notes:

- (1) The calculation of [REDACTED] is based on each indicative [REDACTED] and [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] but takes no account of any Shares which may fall to be issued upon the exercise of the [REDACTED] or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in “Further Information about Our Group — 3. Resolutions in Writing of our Shareholders passed on 23 October 2021” in Appendix V to this document.
- (2) See “Unaudited Pro Forma Financial Information” in Appendix II to this document for further details regarding the assumptions used and the calculation methods.

SUMMARY

[REDACTED] EXPENSES

Assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share and the [REDACTED] is not exercised, the total estimated [REDACTED] expenses in connection with the [REDACTED] (including [REDACTED] commission and discretionary incentive fee) was approximately [REDACTED] million (equivalent to approximately [REDACTED] million), representing approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED], comprising (i) [REDACTED] commission and discretionary incentive fee of approximately [REDACTED] million (equivalent to approximately [REDACTED] million); and (ii) non-[REDACTED] related expenses of approximately [REDACTED] million (equivalent to approximately [REDACTED] million) which consist of fees paid and payable to legal advisers and reporting accountant of approximately [REDACTED] million (equivalent to approximately [REDACTED] million), and other fees and expenses, including sponsor fee, of approximately [REDACTED] million (equivalent to approximately [REDACTED] million).

Among the estimated [REDACTED] expenses, (i) approximately [REDACTED] million (equivalent to approximately [REDACTED] million) is expected to be accounted for as a deduction from equity upon [REDACTED]; and (ii) approximately [REDACTED] million (equivalent to approximately [REDACTED] million) will be recognised as expenses in the profit or loss, of which approximately [REDACTED] (equivalent to approximately [REDACTED]) and approximately [REDACTED] (equivalent to approximately [REDACTED]) had been recognised for the year ended 31 December 2020 and the four months ended 30 April 2021, respectively, and the remaining amount of approximately [REDACTED] (equivalent to approximately [REDACTED]) is expected to be recognised for the remaining eight months ending 31 December 2021, which mainly consists of professional fees and other expenses that would be incurred upon [REDACTED].

Expenses in relation to the [REDACTED] are non-recurring in nature. Our Directors would like to emphasise that the [REDACTED] expenses above are current estimates and are for reference only. The actual amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2021 is subject to adjustment based on audit and the then changes in variables and assumptions and may differ from this estimate.

SUMMARY

LEGAL PROCEEDINGS AND NON-COMPLIANCES

During the Track Record Period and up to the Latest Practicable Date, there was no litigation or arbitration pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group’s financial condition or results of operations. During the Track Record Period, we experienced three non-compliance incidents in relation to the failure to make social insurance and housing provident fund contributions in full, failure to engage transportation companies with permits for transporting cyanide tailings and non-compliant bill financing arrangements. See “Business — Regulatory Compliance” for further details. Save as the above, our Directors confirm that our Group has complied with all applicable laws and regulations in all material respects, and was not involved in any other legal proceedings or disputes of material importance or subject to any material claims, damages or losses during the Track Record Period and up to the Latest Practicable Date.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

In view of the outbreak of COVID-19 in the PRC, measures including temporary suspension of operations and travel restrictions have been imposed by the PRC government including Shandong province’s local governmental authorities. Our major upstream customers in Shandong province experienced temporary suspension in February 2020 due to the *Urgent Notice on Delaying the Resumption of Work of Enterprises in Shandong Province* (關於延遲省內企業復工的緊急通知) issued by Shandong Ministry of Human Resources and Social Security on 29 January 2020 in response to the outbreak of COVID-19. According to the F&S Report, the enterprises in Shandong province gradually resumed work and production in March 2020 and there was no suspension of gold mine operations of more than three months in Shandong province caused by the COVID-19 outbreak during the Track Record Period. In order to further reduce the risk of nationwide outbreak of COVID-19 cases during Chinese New Year in 2021, the General Office of People’s Government of Shandong Province has implemented various measures including mandatory COVID-19 testing, quarantine measures and travel restrictions in preventing high volume of cross-provincial travels during the festive period. Although temporary suspension of business operation of some customers outside Shandong province occurred under the implementation of the aforementioned restrictions and measures since late February 2021, as at the Latest Practicable Date, local governmental authorities in Shandong province have lifted such travel restrictions and quarantine measures. Our Directors confirmed that there was no material disruption to our Group’s supply chain in gold mine hazardous waste during the Track Record Period. Our Group’s revenue generated from gold mine hazardous waste treatment services and sale of recycled products for the eight months ended 31 August 2021 has increased as compared to the corresponding period in 2020. See “Business — Outbreak of COVID-19 — Impact on Our Operations and Financial Performance” for further details.

SUMMARY

Our Directors, after careful and due consideration, confirmed that the business, financial condition and results of operation of our Group would not be materially affected by the outbreak of COVID-19. Our Directors will continue to assess the impact of COVID-19 on our Group’s operation and financial performance and closely monitor our exposure to the risks and uncertainties in connection with the pandemic. We will take appropriate measures as necessary and inform our Shareholders and potential [REDACTED] as and where necessary. For further details, see “Risk Factors — Risks Relating to Our Business and Industry — Ongoing Pandemic of COVID-19 could Significantly Affect Our Production, Demand for Our Services and Products and Our Business.”, and “Industry Overview” in this document for further details of the potential impact of the COVID-19 outbreak and the risk we face our in relation to the outbreak of COVID-19.

Given the total [REDACTED] expenses which are non-recurring in nature, an amount of approximately [REDACTED] had been recognised as expenses for the four months ended 30 April 2021 and an additional amount of approximately [REDACTED] is expected to be recognised as expenses for the remaining eight months ending 31 December 2021, as such our Directors consider that our profit for the year ending 31 December 2021 will be decreased as compared to the year ended 31 December 2020.

Subsequent to the Track Record Period, we had performed renovation and maintenance works on production compartment of our production facility in Jincheng town, Laizhou city, which led to a temporary suspension of the production facility from 1 July 2021 to 26 July 2021. The renovation and maintenance works were for the purpose of repairing the ceiling and wall panelling in the production compartment due to corrosions and other signs of deteriorations, which our Directors considered as a risk to occupational safety. Our Director therefore believed it was necessary to commence a comprehensive renovation and maintenance of the production compartment at the earliest convenience. Although the temporary suspension in July 2021 resulted in a slight decrease in treatment volume in July 2021, our Group’s total revenue for the eight months ended 31 August 2021 has increased as compared to the corresponding period in 2020, mainly attributable to the increase in average treatment fee of gold mine hazardous waste and increase in average selling price of our pyrite concentrate for over 30% due to the continuous recovery of the sulphuric acid industry as the COVID-19 impact wears off according to the F&S Report. Our Directors believe that the temporary suspension of one of our production facilities would not have a material adverse impact on our Group’s financial performance and we have fully resumed our production operation in both of our production facilities, with sufficient demand from our upstream customers for our gold mine hazardous waste treatment services.

SUMMARY

Subsequent to the Track Record Period and as at the Latest Practicable Date, our Group had to reduce our energy consumption in our production facilities in Laizhou city, to comply with the power restriction policy imposed by the PRC government across China, including Shandong province and other north-eastern provinces in September 2021. Such power restriction did not lead to any temporary suspension of our production facilities in Laizhou city, and our Directors confirmed that there was no material adverse impact to our business operation and financial results brought by such power restriction policy.

Save as disclosed above, our Directors confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospect of our Company or its subsidiaries since 30 April 2021, being the end of the reporting period in Appendix I to this document, and there has been no event since 30 April 2021 which would materially affect the information shown in Appendix I to this document. Save as disclosed in “Regulatory Overview” in this document, our Directors confirmed, and our PRC Legal Advisers are of the view that, up to the date of this document, there has been no regulatory or policy changes in the PRC which would have a material adverse impact on our Group’s business and operation.